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31 March 1982

NEAR EAST/NORTH AFRICA REPORT

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CONTENTS

INTERNATIONAL AFFAIRS

Canada's Ambiguous Position Regarding Arab Investments Discussed (Robert Pouliot; 8 DAYS, 27 Feb 82)	1
U. S. Firms Said To Circumvent Arab Boycott Laws (Russell Warren Howe; 8 DAYS, 6 Mar 82)	3
Arab Banks Arrange Loan for Venezuela (8 DAYS, 6 Mar 82)	6
Briefs	
Japanese Oil Purchases	8
Biased Indian Press Reports	8
Australia Seeks to Widen Gulf Trade	8

INTER-ARAB AFFAIRS

Arab Weekly on Palestinian Political Activity in U.S. (Muhammad 'Abd al-Mawla; AL-HAWADITH, 12 Mar 82)	9
Kuwait's Decision To Cut ADF Funds Examined (AN-NAHAR ARAB REPORT & MEMO, 1 Mar 82)	11
Saudi-Sudanese Deep Sea Mining Venture Underway (AN-NAHAR ARAB REPORT & MEMO, 8 Mar 82)	14
Briefs	
News Sources Criticized	15

OPEC AFFAIRS

OPEC's Policy Towards Third World Discussed (ARABIA, Jan 82)	16
OPEC Urged To Devise Global Strategy for Economic Order (ARABIA, Jan 82)	19
Iran Said To Break Ranks With OPEC Partners, Cuts Prices (8 DAYS, 27 Feb 82)	21

OPEC's Vulnerability Discussed (Marwan Iskandar; AN-NAHAR ARAB REPORT & MEMO, 8 Mar 82)...	22
Spot Oil Prices Still Declining (Tim McGirk; 8 DAYS, 27 Feb 82)	24
PERSIAN GULF AFFAIRS	
IIC To Enter Banking (Yusuf Urdoh; KHALEEJ TIMES, 18 Feb 82)	26
Gulf Iron, Steel Industry Progressing Rapidly (AL-RA'Y AL-'AMM, 21 Dec 81)	27
Use of Gas as a Feedstock in Petrochemical Industries Increases (8 DAYS, 6 Mar 82)	30
AFGHANISTAN	
Factories Report Increase in Output (KABUL NEW TIMES, 3, 4 Mar 82)	32
Leather Processing Metallurgy, Machinery	
BAHRAIN	
U.S. Policy Toward Libya Scored (Editorial; AKHBAR AL-KHALIJ, 12 Mar 82)	35
Briefs Commerce Minister Visit to Kuwait	36
IRAN	
Leaders, Prominent Members of Peykar Group Arrested (ETTELA'AT, 13 Feb 82)	37
President Says Iran Will Not Tolerate Force, Domination (ETTELA'AT, 13 Feb 82)	40
'PRAVDA' Reviews Status of Relations With Iran (Pavel Demchenko; PRAVDA, 9 Mar 82)	43
IRAQ	
Briefs Oil Drilling Contracts	47

ISRAEL

Israeli Society Seen Under Severe Stress (Ruthi Loyab; BAMAHAANE, 16 Dec 81)	48
IDF Seen Taking on Excessive Civilian Responsibilities (Ze'ev Schiff; HA'ARETZ, 31 Dec 82)	54
Achievements in Electronic Warfare Discussed (Avraham Peleg; MA'ARIV, 22 Jan 82)	58

KUWAIT

Briefs	
Flights to Beirut Discontinued	64
Kuwait Port Statistics	64

SAUDI ARABIA

Finance Minister Plays Down Role of Equities in Foreign Investment (AN-NAHAR ARAB REPORT & MEMO, 1 Mar 82)	65
Briefs	
British Firm Awarded \$100 Million Contract	66
West German Gets Construction Contract	66
Tunisia Gets \$102 Million	66
Japanese Firm Gets ARAMBO Order	67
Somalia To Get Free Crude	67

SUDAN

Zyn-al-'Abidin Rejects Compromise With Numayri (AL-DUSTUR, 1 Mar 82)	68
Briefs	
Sudan, PRC Cooperation	69
Exams Scheduled	69
Japanese Aid Offer	69
Election Committees	69
New Gas Stations Opened	70

UNITED ARAB EMIRATES

Unification of Customs Regulations Planned (KHALEEJ TIMES, 25 Feb 82)	71
Floating Desalination Plant To Arrive (Dara Kadva; KHALEEJ TIMES, 2 Mar 82)	72
Briefs	
Petroleum Complex Opens	73

CANADA'S AMBIGUOUS POSITION REGARDING ARAB INVESTMENTS DISCUSSED

London 8 DAYS in English No 8, 27 Feb 82 p 28

[Article by Robert Pouliot]

[Text]

DESPITE ITS obvious need for Middle East investment, Canada's relations with the area are ambivalent. On the one hand, Ottawa is going out of its way to heal diplomatic breaches in the hope that Middle East capital will ease some of its escalating borrowing requirements. On the other hand, the Canadian finance ministry still cautions its diplomats stationed in Opec countries against 'actively soliciting private investments'.

Last November, the Canadian ministry of finance borrowed \$300m from the Saudi Arabia Monetary Agency (Sama), repayable over five years half-yearly, with a 16¼ per cent coupon. The loan, the first private placement ever made by Ottawa with an Opec country, came amidst strong pressure from both international investment bankers and crown corporations to approach the Middle East for Canada's 1982-1983 borrowing needs.

Relations between Canada and the Middle East plummeted in 1979 following former premier Joe Clark's decision to move the Canadian embassy in Israel from Tel Aviv to Jerusalem. As a result, crown corporations, notably the Export Development Corporation (EDC) and the Federal Development Bank (FDB) were virtually barred from Saudi Arabia. At the time of Clark's announcement, the FDB was about to finalise its first private placement with Sama. According to an FDB source: 'Everything was ready to go and all the terms had been set. However, suddenly Sama required a cross-default clause in the contract, something that Ottawa just couldn't accept.'

In effect the clause meant that Sama didn't consider the Ottawa government's guarantee for FDB borrowings as sufficient, and that default on the FDB loan would automatically trigger a recall of all other Canadian loans. 'It was a question of political prestige and Ottawa simply couldn't yield,' said the source.

Until November 1981, not a single Sama private placement was made to Canadian financial institutions. An investment banker told 8 Days: 'There was an emotional issue between Riyadh and Ottawa and unless the Central Bank or the ministry of finance reacted promptly, there was a threat that Sama might eventually stop accumulating treasury bonds and longer term maturity Canadian paper on the secondary market.'

Although EDC's treasurer Blayne Modin refuses to comment, the prospect of Sama shutting its door to Canadian issues was appalling. Reliable sources estimate the balances of earlier private placements made by EDC with Sama to be in the order of \$100m plus a further Canadian dollars 200m (\$168m). The threat of tighter euro-credit markets and dwindling Opec surplus redeployment abroad mean that EDC's 1982 borrowing requirements of C\$1bn (\$840m) need all the market room available.

Apparently this time round Saudi Arabia felt that there was no need for a cross-default clause. Assiduous Canadian diplomatic courting of the kingdom dispelled the feeling held by Sama that Ottawa — by avoiding direct dealings with the world's most liquid institution — was snubbing the agency.

Oddly enough though, instructions and service notes issued since late 1975 by top finance ministry officials to the Canadian representatives in Opec countries still remain in effect. Those instructions encouraged Canadian diplomats, particularly those in the oil-rich Gulf with its financial surpluses, to be 'strictly responsive' to inquiries about capital investments.

Energy Minister Marc Lalonde, on an official tour of Kuwait this January, publicly invited the Gulf to help Canada meet its capital investment requirements of C\$400bn (\$336bn) over the current decade. Lalonde also raised the issue directly with Kuwaiti Finance Minister Abdlatif al Hamad, who will be chairing the joint World Bank-IMF meeting next September in Toronto. The Kuwaiti minister promised Lalonde that his country would look favourably at the idea of more funds being placed in Canada.

Yet if Canada is to attract Kuwaiti investment it will have to deal with a complaint that is echoed throughout the Gulf: that of the lack of responsiveness displayed by Canadian diplomats towards private investment in their country. Unlike many Europeans, Canadian diplomatic missions in the Middle East do not include financial advisers, and Canadian commercial officers have in the past been discouraged by Ottawa from holding seminars or briefing sessions on opportunities in Canadian venture capital or securities market operations.

CSO: 4400/165

U.S. FIRMS SAID TO CIRCUMVENT ARAB BOYCOTT LAWS

London 8 DAYS in English No 9, 6 Mar 82 pp 36-37

[Article by Russell Warren Howe]

[Text]

BOTH the US law against bribery abroad — which the White House has asked Congress to modify — and the statute forbidding American companies to apply the Arab League boycott of Israel can be legally evaded if certain precautions are taken, a group of nearly 150 American businessmen were told at a Miami seminar. The seminar, on 'opportunities in the Arabian Gulf', was organised by the Middle East Policy and Research Corporation (Meparc), a subsidiary of the National Association of Arab Americans.

Richard J. Razook, a Miami tax attorney who is a vice president of the NAAA, said that US corporations that refused to deal with a company because it had been black-listed for dealing with Israel could lose the right to deduct foreign income tax from their US tax bill, and the right to defer tax on US-owned foreign corporations or on domestic international sales corporations (Dises). But if the corporation refused to subcontract a Gulf order to the company because it had no experience in supplying the Gulf market, the corporation would not be violating the act. Similarly, the corporation's contract with the Arab state could stipulate restrictions that effectively ruled out corporations trading with Israel, such as requiring subcontractors to operate solely in the US. Another device is to require subcontractors or suppliers to deliver their goods or equipment direct to the Arab customer country and, if applicable, install the equipment there. This would eliminate bids

from firms that would be rejected under local laws that enforced the boycott.

Razook noted, however, that any US company asked to observe the boycott, that participated in or cooperated with the boycott or had 'operations in or related to a boycotting country' is required to report the facts to the Internal Revenue Service. American banks must report all operations in or related to a 'boycotting country'. US branches of foreign banks are exempt from the reporting requirement.

Most of the information given by a panel of experts applied to business in Saudi Arabia, Kuwait or the UAE. There is currently no income tax or social security convention between the US and Saudi Arabia to eliminate double taxation, but corporations not infringing the anti-boycott law can either deduct foreign taxes from their US tax bill or from their net earnings for US tax purposes.

If a US firm owns less than 10 per cent of a Gulf company, the reporting provisions are waived. If it owns between 10 and 50 per cent, it need only report on boycott requests and responses regarding itself, not those concerning any Arab partners. If it owns more than 50 per cent, Razook said, it would have to report for the whole partnership.

Under the Export Administration Act (EAA) of 1979, incorporated into the Internal Revenue Code as section 999, US firms may not supply information about the 'religion, sex, race or national origin' of any

employee or company officer, but they can refuse to select someone for an overseas job if they know the person would not be admitted under local law, Washington lawyer Donald A. Weadon told the gathering. A company may state that it does not trade with Israel and is not blacklisted, but it may not give this information about another firm or person. It is legal, however, to list an entity's foreign business history, which could make it obvious that it had no contract with Israel. It is 'permissible to comply with the import requirements of the boycotting nation' and to specify the origin of goods and equipment, but not to specify that none of the goods come from Israel. All a corporation's 'employees, agents and representatives involved in the international sales of goods or services' must be informed of the anti-boycott provisions of the EAA and instructed to ensure strict compliance.

Weadon said fines for breaches of the act had averaged between \$500 and \$2,000. A boycott case against the Bechtel Corporation was still before an appeal court and would probably go to the Supreme Court, he added, noting that the current attitude at the Justice Department was a genuine wish that the case 'would go away' with the administration critical of legislation that hampers US corporations in search of overseas contracts.

Weadon said the Foreign Corrupt Practices Act (FCPA) permitted 'grease payments' and it was not illegal to submit to extortion. Grease payments were defined as 'facilitating payments to government officials whose duties are primarily ministerial or clerical', such as bribes to speed up customs clearances. The proposed changes in the law permit many forms of bribery, providing they are carried out by foreign employees on their own initiative, without instructions from the US firm.

All cases brought under the FCPA so far have been settled by consent decrees, with the corporation agreeing publicly not to repeat the 'offence' — but this had led to the firms concerned losing export-import bank credits and other benefits. About 100 cases are under review, and may be dropped if the proposed amendments are enacted.

Weadon said the Justice Department was giving a low priority to prosecuting US firms that were competing with non-American firms. The highest priority for prosecution went to cases of bribing cabinet ministers or similarly high officials, or to cases in countries that were trying to stamp out corruption. Generally, said Weadon, the department went after easy targets, such as the smallest firms.

Razook said that many US firms had encountered trouble in Saudi Arabia by following the US corporate practice of submitting a low tax return, then expecting to negotiate with the Internal Revenue. The Kingdom regarded this as malfeasance.

Arab officials warned against the 'jackpot' or 'gold rush' syndrome, and said most Gulf countries were evaluating business proposals more slowly and carefully these days. What was sought was industrial development and diversification, aimed at import substitution, so that, as one speaker said, 'We don't have a US-designed bathroom with an Italian washbasin and Chinese faucets installed by a Palestinian trained on French equipment in Lebanon.' There was still a big need for US high technology and business management techniques. Meparc's president, Robert W. Thabit, a former NAAA president, urged US companies to teach their younger executives Arabic.

Meparc's chairman, Dr Peter Tanous (himself another former NAAA president), Andrew Killgore, a former US ambassador to Qatar, and Sheikh Saud al Sabah, the Kuwaiti envoy in Washington, all stressed that US firms would be more successful in the Gulf if the US backed a 'just solution' of the Middle East conflict.

The Kuwaiti ambassador said his country's imports had risen from \$10.6bn seven years ago to \$79.1bn last year. Exports were up from \$16.9bn to \$79bn. The envoy devoted half of his luncheon speech to political matters, and drew a standing ovation from the US businessmen when he called for a positive American policy towards the Palestinian problem.

'Although economic relations sometimes transcend political conflict,' he said, 'in this particular case, those relations have suffered since the creation of Israel over 30 years ago. The absence of . . . a peace which is genuine, just, comprehensive and lasting will continue to have negative effects on the relations between our two parts of the world. Israel is still the dominant factor accounting for Middle East instability . . . The only danger which threatens the peace . . . of the region comes from the continuous acts of terrorism perpetrated by Israel with the indirect blessing of the United States.'

Sheikh Saud complained of a 'double standard', particularly in regard to arms deals, and added: 'One cannot fail to conclude that what Israel wants, Israel gets, and what a single Arab state gets, Israel receives full compensation for, by way of financial and technical aid and relaxation of existing debts (and) the prompt delivery of . . . more sophisticated weapons.'

He continued: 'The US completely identifies itself not only with Israel's existence as a state but also with Israel's expansionist, annexationist policies. So we can expect shortly the annexation of South Lebanon and the West Bank with the blessing of the United States . . . Is this the proper conduct of a superpower which has continually expressed great concern over what it chooses to term the creation of Soviet satellite states in the area, when at the same time it continues to create a monster in our area, while denying us our minimum rights under the UN charter. At the same time, it is strongly urging its European allies to cooperate in imposing sanctions on Poland and the USSR in regard to the Polish crisis. If this is not a double standard, then what is?'

He also complained about US hostility to Arab investment: 'In order to recycle their surpluses, Opec members have embarked on various investment ventures in the United States. However, if that Opec member happens to be an Arab country, then the reaction of the media is so adverse and hostile, and the scrutiny is so biased as to render it intolerable. On the other hand, the other side is free to do what it pleases in dominating major US companies.'

CSO: 4400/165

ARAB BANKS ARRANGE LOAN FOR VENEZUELA

London 8 DAYS in English No 9, 6 Mar 82 pp 47-48

[Text]

VENEZUELA is one of the most frequent borrowers on the international markets, both in its own name as a sovereign risk and through various public sector agencies which have the authority to seek external funds.

The republic's latest fund raising in its own name is still in its early stages, but it appears that the mandate to arrange a 'jumbo' loan, as the largest deals are generally called, has gone to a group of Arab banks. These are, it is reported, the Arab Banking Corporation, Gulf International Bank, Kuwait Foreign Trading Contracting and Investment Company, Arab Latin American Bank (Arlabank) and Ubaf.

The loan may be as much as \$1bn and will be in two tranches, the first of \$500m and the second for the remainder up to \$500m. The size of the second tranche is uncertain because the lead banks are being asked to raise it on a 'best efforts' basis — if the markets like the deal, and the lead banks can muster enough support for the transaction, then the full \$500m may be possible.

The terms of the loan may not have wide enough appeal, however. The proposed interest rate is only 1/8 per cent above Libor. Higher returns are available in Latin America involving broadly comparable risks, and the same sort of marginal return can easily be found on lending to the smaller OECD countries, where the level of political and economic risk is clearly lower.

Nevertheless, Venezuela is popular among lending banks. It is, of course, a petroleum-exporting country, which still carries clout even though the price of oil is in decline. Its previous borrowings this year have performed fairly well in the markets, and there are reports that the immediately preceding borrowing of \$500m may even be increased in size. The deal is likely to be completed sometime in March.

In these circumstances it is quite a coup for the five Arab banks to be entrusted with arranging such a large borrowing for such a prominent borrower. Whatever happens to the deal in the market — and there may be pressure to raise the interest rate slightly — it marks a significant step forward for Arab banks' involvement in Latin America.

A number of other major Venezuelan borrowings are planned. Three of the Venezuelan public sector agencies — Fondur, Inavi and CVF — each hope to raise at least \$150m. It will be interesting to see whether Arab banks will be as prominent in these deals as they have been in such borrowings as the recent credit for Cemento Andino (\$76m for eight years with a return to the lenders of 1 1/8 per cent over the cost of funds, a loan that attracted a wide range of Arab banks).

Arab banks' interest in recent weeks has not been confined to Venezuelan borrowing proposals. Invitations from lead managers to participate in loans for Brazilian

borrowers have also been under consideration.

On 16 February, Banco Valbras de Investimento signed a \$40m borrowing in Paris at the offices of Credit Commercial de France, which has a 10 per cent minority shareholding in the borrower. Among the Arab banks taking part were the National Bank of Abu Dhabi, Arab Banking Corporation and Gulf International Bank. The deal was a popular one: originally it was planned to raise only \$30m, but the demand was sufficiently strong for the credit to be increased by \$10m.

Brazil's main attraction for banks in today's market conditions is the relatively high yield available on credits. Banco Valbras de Investimento's terms were typical of recent Brazilian borrowings. They called for an interest rate of 2½ per cent above Libor and a maturity of eight years. In addition, banks that lent \$3m received a 1 per cent participation fee.

The prevailing wisdom in the markets is that Brazil's outstanding volume of debt is dangerously high. Banks argue that the risk of delayed repayments — or even of default or other loss — is high, because Brazil's capacity to repay its existing debt out of its export earnings is limited. High yields are needed, these banks argue, to compensate for the higher risk. Other banks contest this view, however, and predict that Brazil will be a major growth economy of the 1980s. For them, the temptation to extend credit at today's returns is well nigh irresistible. Virtually every Brazilian loan offers a yield of

over 2 per cent.

Three Arab banks — Arab Banking Corporation, Gulf International Bank and KFTCIC — have secured a mandate for one of the most recent deals, which they share with Banco do Estado de Sao Paulo. The borrowing is on behalf of the State of Sao Paulo and is for \$100m over eight years carrying a return of 2½ per cent. It carries the guarantee of Brazil, and will be syndicated among Arab banks alone.

Indeed, it is hard to find a recent Brazilian loan in which Arab banks have not played a large part. Arab Banking Corporation, in particular, has appeared in most of the current credits. Superintendencia Nacional de Marinha Mercante is scheduled to sign a mixed financing package in London in March, which will have ABC as one of the lead managers. The package consists of a project line of credit, a buyer credit and a standard euroloan, together worth nearly \$350m.

ABC is also involved as a lead manager in two other Brazilian loans which will appear in the market in the next few weeks. Cia Energetica de Sao Paulo is currently raising \$200m, again over eight years, with a return to lenders of 2½ per cent over Libor.

It also offers the option of a 1½ per cent return over US prime rate. Cia de Aços Especiais Itabira, a steel company, is raising \$65m at the same interest rate with Citibank as the agent and ABC, Barclays, Eulabank, Eurobraz and Schroder Wagg the other lead managers.

CSO: 4400/165

BRIEFS

JAPANESE OIL PURCHASES--Japanese oil industry sources said yesterday that eight Japanese oil firms and establishments have renewed their agreement for 1982 with the Abu Dhabi National Oil Company on the importation of 195,000 barrels of oil daily for a period of 1 year. This agreement stipulates that the Japanese companies buy the oil at the official price of 35.5 dollars per barrel and that UAE tankers transport half the volume purchased. This volume represents 5 percent of Japanese crude oil imports. In accordance with the agreement, the oil will be divided on the basis of 40,000 barrels daily for the (Idmitsukuzan) Company, 35,000 barrels for the Mitsubishi Oil Company and 20,000 barrels for Mitsui Oil and a number of other small companies. [Text] [Kuwait AL-RA'Y AL-'AMM in Arabic 17 Dec 81 p 9] 8494

BIASED INDIAN PRESS REPORTS--INDIA TODAY, an Indian semimonthly magazine, published on pages 77-78 of its edition of November 1981 an article entitled "Oil Nourishes Faith" in which it slandered Kuwait's name without citing any evidence. The article says that Kuwait is financing the campaign to convert the (Harijan) sect into Islam, that it is paying 1,000 dinars to whoever embraces Islam, that it doesn't permit the building of temples in the country and that the churches in Kuwait are from the colonialist times. What is obvious so far is that official circles of the Indian Government have not yet investigated the truthfulness of these allegations or taken the necessary measures against the magazine, which has fabricated these allegations without any evidence. [Text] [Kuwait AL-RA'Y AL-'AMM in Arabic 17 Dec 81 p 2] 8494

AUSTRALIA SEEKS TO WIDEN GULF TRADE--An Australian trade delegation visited Saudi Arabia and Iraq recently in an effort to boost economic ties with the oil-rich Arab states. The delegation, headed by Australian Housing and Construction Minister Tom McVeigh, opened an Australian trade fair in Riyadh to promote Australian products and technology and held talks with the Saudi Ministers of Commerce and Public Works. In Baghdad, Mr McVeigh and the Iraqi Minister for Agriculture and Housing Amer Mahdi co-chaired a meeting to draft a formula for a joint economic and technical cooperation. Iraq's First Deputy Prime Minister Taha Yassin Ramadan, who also met Mr McVeigh, said the exchange of such visits "provided big prospects of bilateral cooperation." OECD figures show that Australia's imports from Saudi Arabia averaged \$113.03 million a month during the first six months of 1981, with exports averaging \$31.375 million, compared to average imports of \$79.35 million a month and exports of \$23.31 million in 1980. During the first half of last year, Australia's imports from Iraq were worth a monthly average of only \$235,000 while exports were valued at \$3.91 million a month. In 1980, Australia imported goods worth \$17.05 million a month and exports to Iraq averaged \$16.71 million a month. [Text] [Paris AN-NAHAR ARAB REPORT & MEMO in English No 10, 8 Mar 82 p 6]

ARAB WEEKLY ON PALESTINIAN POLITICAL ACTIVITY IN U.S.

PM120951 London AL-HAWADITH in Arabic 12 Mar 82 pp 75-76

[Muhammad 'Abd al-Mawla article: "A Bankrupt American University-Georgetown Persecutes the Arabs and Upholds Israeli Accusations"]

[Excerpts] Palestinian students at Georgetown University were supposed to hold a cultural festival the last day of February. The invitations were printed and sent out but suddenly the organizers of the festival received a letter from Georgetown University President Timothy (Healy) saying that it has been decided to cancel the festival "because the PLO is a terrorist organization."

Regardless of the university president's accusations, he has denied the Palestinian and Arab students their constitutional right to gather and to speak. The issue, as Dr Hatim al-Husayn, director of the Palestine information office in Washington, said, is not the PLO or terror but the freedom of the students.

When the university president's message reached the students organizing the festival on 26 February they asked to meet him but he referred them to (Manik), his deputy. They told him: You are a Catholic university. The Pope meets and talks to Palestinians and PLO representatives. He met with PLO Political Department Chief Faruq Qaddumi. Papal delegates do the same all over the world. He replied: "The Pope does not represent Catholic policy; he represents the Catholic religion."

Al-Hawadith has learned that the president had earlier approved the holding of the festival but changed his mind later after meeting with Israeli Embassy staff and receiving orders from the White House.

The contents of the letter sent by the university president to the students were no different from the contents of a statement issued by the Israeli Embassy in Washington to a limited number of people, including the university president. The accusations are the same both in the letter and the statement, which confirms that the source is the same.

The point, as Dr Husayni said, is that the Americans have begun to understand the problem of the Palestinian people. "They have begun to realize the magnitude of the Palestinian tragedy and the Israeli countercampaign aimed at neutralizing an positive impression about the PLO and the Palestinian people's problem."

What harm would Georgetown University suffer if the students engaged in a cultural activity during which they introduced Palestinian culture and arts to the American students?

Georgetown University is bankrupt. Some years ago a number of Arab countries began giving donations to it. But the university president was not pleased with the donations because he considered that this would turn the university into a "den" of Arab propaganda. Therefore, according to Arab sources, he decided to close it down.

The council of Arab ambassadors in Washington is aware of what the university president is doing and therefore called for an extraordinary meeting on Tuesday 3 March in order to study the situation of Arab donations and take suitable action.

We asked Dr Hatim about the office's legal position in the United States.

He replied: It is an information office and not a political office. There is no official U.S. recognition of the office. We registered it at the Justice Department and there are restrictions on it. Our aim is to address the popular sector of the public opinion such as the parties, minorities and churches as well as all the influential powers. This is a major task. The facts of the Palestine problem are not known to the American people while Zionist propaganda is well known.

We asked: Is there freedom and an opportunity to move within a society like this? Is the United States not a hopeless case?

He said: The experience of the past 3 years has taught us that there is a wide field for action. We receive hundreds of letters each week whose senders ask to be told everything about the Palestine problem. They ask for brochures, information and films. If we had the means we would have been able to work better. Unfortunately our financial resources are meager and Arab support is nonexistent. There is no joint action by the council of Arab ambassadors in Washington despite the fact that the ambassadors in the council are enthusiastic. Arab summits have allocated tens of millions of dollars for Arab propaganda. What is the Palestine information office's share? A big zero.

The office budget comes from the Palestinian National Fund and is only \$80,000 annually.

CSO: 4404/353

KUWAIT'S DECISION TO CUT ADF FUNDS EXAMINED

Paris AN-NAHAR ARAB REPORT & MEMO in English No 9, 1 Mar 82 pp 4-5

[Text]

Kuwait's parliament voted last week against continuing financial support of Syria's Arab Deterrent Force (ADF) in Lebanon, with discussions of the Kuwaiti government's proposed bill authorising payment of \$48 million to the ADF highlighted by harsh criticism of Syria. While the effect of the parliamentary decision on eventual Kuwaiti funding of the ADF remains to be seen, the decision has raised questions about both future Arab support of Syrian involvement in Lebanon and Lebanon's future. Lebanese Prime Minister Shafik al-Wazzan, who arrived in Kuwait on the second leg of a Gulf tour aimed at drumming up support for Lebanon's plight shortly after the parliament's decision, reacted to it saying: "As a Lebanese official I can say without qualification that we have not made any provisions for acting on the basis of a termination of the ADF's role. Our plans are based on the assumption that the ADF will continue to perform its task... We are still in need of Arab support of the ADF."

Prime Minister Wazzan said he had no indication of whether the decision not to fulfill Kuwait's 20 per cent share in the upkeep of the 22,000-strong force was based on political motives. The Kuwaiti parliament's Foreign Affairs Committee, which led the move to reject the funding, accused Syria of committing "massacres" of Moslems in Lebanon and Syria, and some members of the committee called the recent campaign by the Syrian authorities against the Muslim Brotherhood in Hama "excessive" (*An-Nahar Arab Report & MEMO*, February 15). One member of parliament said the ADF was "no longer Arab" and that it was violating the rights of the Lebanese, while others lambasted Syria for its pro-Iranian posture in the Iran-Iraq war "which clearly runs counter to pan-Arab interests." Deputy Abd al-Karim al-Jahatly went further in espousing pan-Arab interests and called for Kuwait to suspend all aid to the members of the "steadfastness front" - Syria, Libya, Algeria, South

Yemen and the PLO – since “they aren’t fighting the (Israeli) enemy for us to give them assistance.”

Kuwaiti deputies who voted for the government’s bill expressed the fear that a withdrawal of the ADF from Lebanon would lead to a major crisis there for want of any other force capable of taking charge – a view shared no doubt by Prime Minister Wazzan. Kuwait’s Justice Minister Sheikh Salman al-Duaij al-Sabah expressed what must have been his government’s considerable embarrassment over the conservative Muslim-led rejection of the bill by saying that he regarded it as inconceivable that local parliaments could be allowed to invalidate pan-Arab decisions – in yet another invocation of ephemeral Arab unity. “Resolutions adopted by Arab consensus should be abolished by Arab consensus,” he said. The 1976 Arab Summit allocated \$180 million per year to maintain the peacekeeping force in Lebanon. Hence the parliament’s decision will pit an Arab summit resolution against Kuwaiti democracy.

The effect of a possible Kuwaiti withdrawal from support of the ADF in Lebanon is hard to gauge. The ADF has endured despite frequent interruptions in payments from the other states funding it – Saudi Arabia, Qatar and the UAE – and deficit financing yielded a debt of \$60 million by December 1981. But the Kuwaiti decision comes at a time when Syria appears to be besieged at home, in the Golan Heights and in Lebanon and thus adds insult to injury. During the two-week crackdown on the Muslim Brotherhood in Hama, rumours were rampant in Beirut to the effect that thousands of ADF soldiers were being shipped home to hold the fort, heightening tension in ADF-controlled West Beirut tangibly. Then came a session of heavy fighting in the northern Lebanese city of Tripoli in which the parties and reasons involved remain obscure, but in which the ADF forces stationed there came under heavy attack. This was topped off by a renewal of terrorist car-bombings in West Beirut. Responsibility for the explosions was claimed by two anti-Syrian organisations.

While controversy over the ADF was building up to a fever pitch, another peace-keeping force in Lebanon, the United Nations Interim Force (UNIFIL) gained additional leverage towards fulfilling its mandate. The UN Security Council approved a 1,000-man increase in its size, in a resolution late last week. The increase came at the request of Lebanese authorities and UNIFIL Commander Lieut-Gen William Callaghan who said that the current 6,000-man force was seriously overstrained. The force was set up in 1978 after an Israeli invasion of southern Lebanon and was charged with restoring the Lebanese government’s authority to the region, which has been a battleground for Palestinian guerrillas and an Israeli-backed rightist militia.

The decision to go ahead with the increase is timely: it comes amid mounting fears in recent weeks that the uneasy cease-fire between Israel and the Palestinians would break down with another Israeli invasion of Lebanon. That possibility was strongly mooted by Israel's new ambassador to the US, Moshe Arens, who said that Israeli action in southern Lebanon was "a matter of time."

Lebanese Ambassador to the UN Ghassan Tuani praised the decision as a major step towards the restoration of Lebanese sovereignty to the whole of southern Lebanon, but urged the Council to give UNIFIL greater deterrent responsibilities. Council members, however, reaffirmed that the UN troops "shall not use force except in self-defence." Hence there will be no qualitative change in the UN force's functions, and it is not likely to become more effective in controlling either the Palestinian guerrillas or the Israeli-backed militiamen of Maj Saad Haddad. A major Soviet-American dispute in the Council's debates on UNIFIL was reported to have occurred when the Soviet Union inserted a provision into the resolution calling for the restoration of Lebanese government authority throughout the south, including the 6-mile-deep enclave along the Israeli border which is controlled by Maj Haddad. The US objected to the provision, which was removed, thus excluding any direct reference to "Haddadland."

CSO: 4400/172

SAUDI-SUDANESE DEEP SEA MINING VENTURE UNDERWAY

Paris AN-NAHAR ARAB REPORT & MEMO in English No 10, 8 Mar 82 p 7

[Text]

Saudi Arabia and Sudan have agreed to begin work on a joint project to mine minerals from the Red Sea. The agreement was signed three weeks ago by Sudanese Energy Minister Sharif Mohammed Tihami while on a visit to Riyadh, as this newsletter reported in its February 22 issue. Our London correspondent gives us further details of the project.

Our London correspondent writes:

Saudi Arabia and Sudan are to press ahead with mining operations in the Red Sea which could produce revenues of up to \$80 million a year. The project is being handled by the Saudi-Sudan Red Sea Commission, which is concentrating its efforts on the Atlantis II deep. The muds in the deep contain a variety of sulphide ores with up to 6 per cent zinc, 1.0 per cent copper and .01 per cent silver. The deep is believed to contain a total of about 1,700,000 tonnes of zinc, 400,000 tonnes of copper and 4,000 tonnes of silver. The total value of recoverable minerals is put at \$3 billion.

Technology and equipment for mining the muds of the Atlantis II deep is being developed by West Germany's Preussag, which has already carried out a pre-pilot mining programme.

A pilot mining project is now envisaged, with possible full-scale mining operations then starting by 1990. The ores would be taken for processing to the new Saudi industrial city of Yanbu. However final costs have not been fully calculated and these could amount to more than \$200 million a year.

Saudi Arabia is footing the project's bill at this stage. Eventually, Sudan is expected to contribute, with its share of costs being deducted from revenue. Share-out problems are not anticipated since Atlantis II is in a common economic zone established by the two countries.

The muds are up to 30 metres thick and lie between 1,000 and 2,000 metres below the surface. Initial fears that the pollution caused by the mining might pose insuperable problems have been eased by provisional conclusions that the discarded mud and chemicals used in the mining process can be properly disposed of at such a depth.

BRIEFS

NEWS SOURCES CRITICIZED--A great number of sensational reports of goings on in the Middle East reach this newsletter--and as often as not, they wind up in the waste-paper basket. But if we err on the side of caution, the following example of how news travels in the region explains our wariness. We are indebted to the Beirut daily Middle East Reporter for the following compilation of radio reports stating that some 3,000 Syrian troops stationed in Lebanon as part of the Arab peace-keeping force had been withdrawn to Syria to take part in fighting at Hama. The withdrawal was announced on the morning of February 16 by the right-wing Christian Phalangist Voice of Lebanon, no friend of the Syrians. It quoted unnamed diplomatic sources. At 1:30 p.m. of the same day, Radio Israel's Arabic service picked up the story. It was relayed again at 5:15 pm by the Voice of Lebanon, which this time cited Radio Israel as its source. A few minutes earlier, at 5 pm, Radio Baghdad broadcast the same story as one of its main news items and at 6:45 pm the Voice of Free Lebanon operated by Israeli-backed militia forces in southern Lebanon used the report, giving Radio Baghdad as its source. Later in the evening, the report was broadcast by the Voice of America and next morning it was re-broadcast by the Voici of Free Lebanon, quoting the VOA as its source. [Text] [Paris AN-NAHAR ARAB REPORT & MEMO in English No 8, 22 Feb 82 p 2]

CSO: 4400/172

OPEC'S POLICY TOWARDS THIRD WORLD DISCUSSED

London ARABIA in English No 5, Jan 82 pp 40-41

[Text]

We all know that it is impossible to imagine a really objective dialogue between the North and the South without Opec. Opec's presence and active participation are essential to launch such a dialogue and to maintain its momentum.

In the first place any North-South dialogue must have the subject of energy on its agenda. The most important source of energy, now and in the future, is oil. Opec countries are, and will continue to be, the main exporters of oil.

Secondly, it is clear that most of the countries of the North do not wish to talk to the countries of the South unless energy and its associated problems are discussed. On the other hand, the Opec countries are unwilling to participate in a conference which will discuss energy to the exclusion of other world problems. Their participation is conditional upon the dialogue between North and South being broad and comprehensive, and aiming to solve, along with the energy problem, all the numerous difficulties that bedevil the countries of the South.

Thirdly, the current surplus does not constitute an end to the energy problem, but only a transient phase.

All in all, the picture may not be too gloomy, for voices calling for change are beginning to be heard within the countries of the North. It would not be over optimistic to say that we now see a faint light at the end of the tunnel that will lead us to a better future, in which more equitable relationships will exist between rich and poor.

We may, of course, differ in our understanding of the meaning of equitable relationships or of what would constitute a new economic order. Such differences exist even

among the people of the North and among those of the South. The important thing is that a consensus has been reached on the need for a dialogue, the objective of which should be to change the status quo for something better. Gradually we are all accepting the view that such a dialogue should be in the form of global negotiations within the framework of the UN, or at least under its auspices. This consensus was apparent at the Cancun summit.

I do not propose to give a detailed account of the various positions taken and views expressed at the summit; but it is my duty to summarise the views adopted by the group of Opec members which form an integral part of the developing world. The Opec group was able to play the role it did because of its relatively greater ability within the developing world to act and make its voice heard in the

North. The following is a summary of its views.

In spite of the severity of the developing countries' financial difficulties and the chronic imbalance of their external payments, their final problem is that of development. The perpetuation of the existing economic order

will only result in greater poverty and deprivation for these countries. What is needed is a fundamental solution that gives the countries of the South a fair share of economic development, taking into consideration their depressed economic state. Two basic conditions must first be fulfilled in order to bring about such a solution.

There must be a massive transfer of wealth to the developing countries. Each country contributing to this transfer must act in accordance with an agreed formula. As a minimum requirement, the rich industrialised countries should meet the target of international aid for development set by the UN — 0.7 per cent of their gross national income.

The aid performance of the industrialised countries is well below that minimum. In contrast, Opec countries, particularly the financially surplus states, have contributed in concessional aid in favour of the other developing countries so significantly that in many cases — such as some of the Arab oil producing countries in the Gulf — the ratio of aid to total gross national income has often exceeded 10 per cent. It must be mentioned that, unlike the case of the industrialised countries, the Opec countries' contribution comes out of a depleting non-renewable resource.

A transfer of technology from the industrialised countries to the developing countries must also take place. Of necessity this should be coupled with the removal of trade barriers which obstruct the access of developing countries' exports to the markets of the industrialised world.

Granting aid to the poor countries and saving their peoples from hunger is commendable. But it is not enough. It does not redress serious imbalances that exist. The Opec countries support the view that, rather than giving a starving man a fish to eat, it is more beneficial to train him to fish for himself and give him the appropriate fishing equipment.

The analogy in this case is clear. Giving the poor man the fishing equipment is the transfer of wealth, while training him to use it is the transfer of technology. In order for him to meet the other requirements of life, the poor man will need to sell some of the excess fish that he catches. He must therefore be given access to the markets of the fish consumers.

It is also imperative that the energy problems of the developing countries be solved. This can be achieved by guaranteeing to meet their oil requirements during periods of short supply; trying to assist them financially when sharp increases in the price of oil occur due to scarce supplies, and exploring and developing indigenous energy resources wherever they exist in the developing countries.

As part of its work on forming a long-term strategy, Opec has studied a comprehensive plan to meet all these problems. After its final ratification by all the member countries, the plan will form part of the solution that Opec will put forward in any global negotiations that may take place.

In this connection I would like to mention the World Bank's proposal to set up an energy affiliate. This is in line with the Opec plan. It is, however, much less than we want for the developing countries, and we are concerned that devoting too much attention to it may lead to the neglect of other more important matters, such as development in general. After all, development is the real objective of all developing countries, whether they be owners of indigenous energy or other resources.

There are a number of matters which I have not mentioned, which need discussion. These include the issues of combatting hunger and financial requirements of the developing countries. The latter is of particular importance to the oil exporting countries, which have been forced by the needs of the international community to accelerate the depletion of their oil reserves, leading to the accumulation of financial surpluses. The international monetary system in existence today is deficient in many ways and its ill effects on the economies of the developing countries are a matter of grave concern to them.

Nor can we ignore the energy problem as it affects industrialised countries. Although oil prices are determined by OPEC and are not negotiable, the issue of security of supplies will be an item on the agenda of any comprehensive negotiation. There is no insuperable problem here if we find solutions to all the other problems I mentioned earlier.

I should emphasise one vital matter, however, and that is that the starting point must not be to ask Opec about the level of production to which it can commit itself in the coming years. The starting point must be to ascertain the state of demand and supply, the availability of substitutes for oil, and the real need of the industrial countries which can be met by Opec. Only then can some of the Opec members allocate the necessary funds for investment in the oil industry, particularly in the sectors of drilling and secondary production measures. To embark on those expensive and highly sophisticated projects, Opec countries would require the cooperation of the industrialised countries, especially in providing the necessary expertise and technology at a reasonable cost.

Of no less importance to Opec countries is to change their present status of being merely raw material exporters until they have an adequate share in the world trade of hydrocar-

tion-based products, notably petrochemicals. Whereas Opec countries account for the greater part of world trade in oil, their share in the world's total downstream capacity is quite insignificant.

Expanding Opec's export-oriented capacity of petrochemical industries, which are characterised by fast rates of technological change and very high capital intensity, would naturally require new world trading systems, whereby Opec countries could have sufficient and non-discriminatory access to the markets in the industrialised countries, as well as technology transfer on equitable terms.

These matters, as well as matters generally related to development, could be among the major items for international dialogue. In the

past, Opec has participated in all the negotiations between North and South, albeit unofficially, through some of its members. The position is now different and Opec is trying to take a more positive and effective role by presenting a comprehensive plan for negotiations. Its form and manner will be finalised at a later date.

We live in a world whose countries are increasingly interdependent, whose interests are intertwined. The age when a rich country could exist safely, oblivious of the interests of the poor countries that surrounded it, is well and truly over. The sooner this is realised the better. Once we are prepared to rid ourselves of our selfishness and make more meaningful concessions to the less fortunate amongst us we will all prosper.

CSO: 4400/167

OPEC URGED TO DEVISE GLOBAL STRATEGY FOR ECONOMIC ORDER

London ARABIA in English No 5, Jan 82 pp 54-55

[Text]

After a year of introspection in 1981, Opec will find itself forced to look outwards again in 1982. From the outbreak of the Iraq/Iran war in September 1980 to the oil ministers' Geneva meeting in November 1981, internal oil pricing differences were an overwhelming preoccupation. The Long-Term Strategy, which would not only have laid down pricing formulae but provided a framework for Opec's relations with the industrialised countries and the rest of the developing world, went into cold storage while Saudi Arabia argued with its 12 co-member states over whether the benchmark for crude should be set at \$35 or \$34 a barrel.

By contrast, 1982 may see the start of global negotiations on restructuring the international economic order. If this happens Opec will have to decide where it stands on issues dividing the North from the South.

The stage for this more extrovert role was set in Vienna at the end of October when Opec finally kept an appointment with both North and South which it had cancelled a year before. The Opec Seminar on Energy and Development should have been held at the end of 1980, soon after an epoch-making Opec summit scheduled for November 1980 in Baghdad, at which the Long-Term Strategy should have been launched. That summit had to be abandoned when the Baghdad and Teheran governments went to war, and the Opec seminar was quietly dropped.

As if to make up for lost time, the Opec secretariat allowed almost twice as many people to attend the 1981 seminar as originally planned. Speakers and panelists represented some 30 different countries, all but seven of them from Opec and other developing states. The title of the seminar was "Energy and Development: Options for Global

Strategies." Speakers gave their views on interdependence and the forms cooperation should take between South and North and South and South.

Despite Opec's repeated protestations that it belongs to the South, the ambiguity of its position was more striking at Vienna than it has been before. Dr Ali Attiga, Secretary General of the Organisation of Arab Petroleum Exporting Countries (Oapec), drew attention to this fact when he described attempts by the North in the mid-1970s to draw Opec under its wing. When these attempts failed, he said, the North tried again to separate Opec from the South by exploiting oil price problems to keep them apart.

Opec's split personality in international affairs is attributable to the schisms within itself. Remarks have been made by oil officials of Saudi Arabia and the UAE over the past few months to the effect that these countries are anxious to keep the world oil market healthy "well into the next century and beyond." Sheikh Ahmed Zaki Yamani himself told reporters in Saudi Arabia in November that if his country were to calculate its oil reserves in the way Mexico did, "you would have to fasten your seat belts."

The industrialised world, shocked by oil price increases during the 1970s, has already made enough headway in conservation and substitution of alternative sources of energy for this to show in the world figures for oil trade. The developing countries, on the other hand, lacking both funds and research and development capabilities, lag behind. It is estimated, for example, that only seven per cent of the Arab countries' energy demands can be met from new, renewable and nuclear sources by the year 2000. With this in mind, cynics are asking how long the big oil produc-

ers will want to go on encouraging indigenous energy exploitation in the developing world.

Invitations to Opec to join in new forms of South-South cooperation were not lacking in Vienna. The very first session was addressed by Raul Prebisch, former Secretary General of the United Nations Conference on Trade and Development and veteran of North-South negotiations.

Prebisch made a number of specific but connected proposals: the first for financial cooperation between oil exporters and developing countries for investment not only in energy and agriculture but also in import substitution. Earlier policies of import substitution had been superseded, he said, by the desire to export manufactures to the North. Now it was time to look at import substitution once again, combined with arrangements for "subregional, regional, and inter-regional trade" among developing states. Prebisch proposed the establishment of a small group to present concrete recommendations "starting with the improvement of trade among developing countries and the buttressing of trade arrangements with a system of payments."

The problems impeding South-South cooperation were not ignored. Sri Lanka's Minister of Finance and Planning, Ronnie de Mel, said quite clearly that the South-South dialogue had been "bedevilled by social and cultural differences." He pinpointed labour migration, mainly to the Gulf states, as having been viewed with some suspicion, and suggested that if this aspect of South-South contact were to be more organised this could be helpful in consolidating inter-regional ties.

A third practical example of cooperation among developing states was alluded to time and again at Vienna. This was the precedent set by Venezuela and Mexico earlier in the year when they signed an agreement with other Caribbean countries guaranteeing oil supplies and providing for an automatic credit to cover 30 per cent of these importers' oil bills. The credit, carrying an interest of four per cent, is extendable to 20 years if the proceeds are invested in energy projects in the recipient state. Several speakers implied that this arrangement could be reproduced within other regional groupings, such as the OAU or Asean.

A resurgence of South-South solidarity is urgently needed if global negotiations on a new economic order do go ahead in the coming year. Moves are already afoot to organise some sort of South-South conference — hosted, perhaps, by Algeria, Yugoslavia or Venezuela. This would take place by the end of the first quarter of 1982, on the assumption that discussion of the agenda for a "global

round" could start in April or May.

The Opec seminar provided a platform from which spokesmen for several governments voiced their support for global negotiations within the UN. Marc Lalonde, Minister of Energy, Mines and Resources in Canada, said the advantage of talks within the UN is that they would bring in the communist countries, whose absence had constituted a serious shortcoming of previous discussions between North and South.

Kenneth Dadzie, Director General for Development and International Economic Cooperation at the UN in New York, is preparing the resolution that should get global negotiations off the ground; he told the Vienna meeting that South-South solidarity could be enhanced if Opec members were to invest in other developing countries, on condition they were given adequate security and returns.

The trouble is that whereas in the mid-1970s Opec could tempt the North to discuss economic restructuring with the "carrot" of secure oil supplies, today that lever is no longer readily at hand. There are those in Opec, nevertheless, who feel this lever remains the Organisation's chief bargaining card.

Sheikh Zaki Yamani said in his opening speech: "The existing oil surplus in the market does not mean the end of the energy problem. This is a transient phase during which many may relax in the false sense of security that it gives, but the end of which may cause them a jarring shock. At that point they will once again look to Opec for comfort." He added later that, "although oil prices are determined in Opec and are not negotiable, the issue of security of oil supplies will be an item on the agenda of any comprehensive negotiations."

It all comes down to whether Opec's 13 members can agree among themselves about the fundamentals of oil supply and demand and the question of security of supply. The closing scenes at the Vienna conference, when Kuwaiti Oil Minister Sheikh Ali Khalifa publicly took issue with Yamani on the "sanctity" of supply and demand, suggested such cohesion is some way off.

Yet the time remaining to Opec to put its own house in order is short. The image that recurred most frequently in the speeches at Opec's latest seminar was that of judgement day. Prebisch warned the countries of the North that they would be the first victims of their own lack of foresight. Lalonde urged: "Don't let's wait for all countries to get on board before we get going. Don't let's wait for all development issues to be covered before we deal with energy."

It was a Venezuelan who summed it up when he quoted Camus: "Don't wait for the final judgement. It takes place every day."

IRAN SAID TO BREAK RANKS WITH OPEC PARTNERS, CUTS PRICES

London 8 DAYS in English 27 Feb 82 p 8

[Text] While some Gulf leaders attempt to stabilise a softening crude market, Iran is threatening to undermine OPEC's pricing structure altogether. In a desperate bid to double its exports, the National Iranian Oil Corporation (NIOC) is combing Europe for potential markets, with offers of slashed prices and barter deals.

Iran's discount policy was initiated in February after a top NIOC delegation spent almost a month in fruitless negotiations with Shell, BP and Japanese companies during which the Iranians failed to persuade the western oil concerns to resume lifting in the Islamic republic. As a goodwill gesture towards the market, Iran cut the price of its 34° API light crude from \$34.20 a barrel to \$33.20, and the price of its 31° API heavy crude from \$32.30 to \$31.30. For the Japanese, this was still not enough, although Tehran believes that the Tokyo ministry of international trade and industry has cautioned Japanese companies against resuming liftings in Iran.

In mid-February a NIOC delegation visited Italy, Switzerland, Spain, West Germany, France, Denmark and the UK, looking for new outlets. "We are ready to barter our crude for nearly anything now, but food comes first," admitted one member. Another NIOC source told 8 DAYS that Iran offers discounts of up to \$2 a barrel for any spot transaction.

NIOC is currently exporting 700,000 b/d down from the previous two-month average of 1m barrels. The current biggest customer is Marimpex of West Germany which signed a processing agreement with NIOC on 8 February for 270,000 b/d. The reported price is \$25-\$26 a barrel.

Other major deals include a processing agreement with South Yemen for 30,000-40,000 b/d, and a barter transaction with the Greek concern Petroship, an affiliate of B.B. Naft Maritime for the supply of military spare parts and ammunition in exchange for 40,000 b/d.

Nevertheless, current exports are well below the level required to meet Iran's foreign exchange needs. According to recent figures quoted by Prime Minister Mir Hussein Mousavi, at current export rates oil will earn Iran \$18.9bn. Since Tehran has budgeted for \$31.78bn in oil revenues over the coming year, at today's prices exports will have to rise to 1.6m b/d.

CSO: 4600/432

OPEC'S VULNERABILITY DISCUSSED

Paris AN-NAHAR ARAB REPORT & MEMO in English 8 Mar 82 pp 1-2

[Article by Marwan Iskandar]

[Text]

Commentaries at present are over-playing the vulnerability of OPEC and assume that OPEC is on the verge of disintegration. In fact, OPEC has always been vulnerable and incapable of limiting production to ceilings that conform to world demand at a certain level of prices.

The most important reason for OPEC's vulnerability is the enormous differences in the capacities of member states to sustain reductions in their oil incomes. Countries with substantial populations such as Algeria, Indonesia, Iran, Nigeria, Venezuela and Iraq have always needed to keep exports at levels which would cover their pressing financial requirements. In the mid-1960s, when production programming was introduced by OPEC to prevent a further slide by prices, Iran aborted the attempt because its choices were restricted to heavy borrowing from abroad, a significant reduction in development expenditures or increased oil exports. They chose the latter alternative.

In the 1980s, the vulnerability of OPEC has become even more pronounced because the spending spree policies of member states after the steep increases in prices in 1973-74 were beginning to bite into their resources and capabilities. In addition, and despite much higher revenues in the 1970s, OPEC member states with large populations such as Algeria, Nigeria, Iran and Indonesia became even more dependent on oil exports. These were needed not only to fulfil their development plans but also to feed their people. Significant falls in income thus affect not only development but also the minimum requirements for a decent standard of living. Internal difficulties in Nigeria and Indonesia and revolutionary strife in Iran increased the cost of development and placed mounting pressure on the financial resources of these countries. None of them, together with heavily indebted Venezuela, could be expected to abide by production cutbacks without suffering serious setbacks to their plans and objectives.

In addition to these developments, possibly the most important new factor to appear on the scene is that the income elasticity of demand for oil has changed and become negative. This new development was already evident by the summer of 1981 and Sheikh Ahmed Zaki Yamani dealt with it trenchantly in a paper which he delivered at the Oxford Energy Seminar last year (*Al-Nahar Arab Report & MEMO*, October 19, 1981). More efficient use of energy had become one of the most important factors in sustaining the economies of industrial nations then going through a two-year recession that seems likely to continue through the larger part of this year. As a consequence, demand for OPEC oil dropped from 31 million b/d in 1979 to under 20 million b/d by the beginning of this year. Moreover, prices for refined oil products did not fall by the same proportion as did the prices for crudes. On the one hand, industrial countries depend heavily on excise duties levied on petroleum products and, on the other hand, oil companies were going through a period of declining net revenues which in their assessment could not be compensated by higher demand through lower prices because the income elasticity of demand had become less than one.

On top of all of these factors, the predominance of Saudi Arabia as a producer meant that Saudi production policies would dictate the level of prices. The Saudis produced more than 10 million b/d from 1980 until the summer of last year and Saudi Arabia's share of OPEC's output went from 30 per cent in 1979 to 45 per cent in 1981. Meanwhile, peripheral production from Mexico and the North Sea could no longer be treated as marginal. These two countries were together producing more than 15 per cent of OPEC's total output. Moreover, the Soviet Union came on the scene with a renewed thrust to export gas to Europe. This meant that expectations of a reduction in Soviet oil deliveries by the mid-1980s were nullified by the projected increase in exports of gas.

In view of these circumstances and because many OPEC producers depend on a minimum level of oil production to have enough associated gas to feed their basic utilities (water and electricity), the flexibility of OPEC in the face of declining demand in the industrial countries has been limited tremendously. In a strong market, OPEC members were the price setters. In a weak market, and because of their cultivated dependence on oil revenues, OPEC countries—or some of them, at least—have to follow market developments. There are few indications that the heavily populated OPEC countries can adjust individually to changing circumstances. So recent trends mean that there will be a continuous fall in the real price of oil until at least the end of 1984.

Saudi Arabia can help in reducing the impact on other more needy OPEC countries by permitting another significant reduction in its production. But Saudi Arabia's self-interest would not allow for a reduction in output that produces a tight market and for this reason oil prices will remain soft for the foreseeable future.

SPOT OIL PRICES STILL DECLINING

London 8 DAYS in English No 8, 27 Feb 82 pp 54-55

[Article by Tim McGirk]

[Text]

DR MANA AL OTEIBA, UAE oil minister and current Opec president, recently warned that the world oil glut could not be controlled by slashing crude prices.

Oteiba's warning may be too late, however. Hit by a long and steep drop in demand, oil exporting countries have already touched off a price war. For the second time this month Iran chopped \$1 per barrel off its price, in direct violation of Opec's pricing agreement. Iranian light crude now sells for nearly \$2 below the official Opec marker of \$34 per barrel for Saudi Arabian light. Egypt, a non-Opec member which exports about 200,000 b/d, also shaved \$1 off its price, making it \$33.

On the Rotterdam spot market, further falls in prices last week brought the value of non-contract Saudi crude down to \$30.50 a barrel. One oil trading source also told 8 Days that the Aramco participants, which are locked into long-term contracts for Saudi light at the regular price of \$34, are being forced by lack of demand to re-sell the crude for \$30.50. This was denied by an executive at one of the Aramco companies, who did concede, however, that the four major US companies were negotiating with Riyadh to lift less crude.

In an interview with Dubai's *Al Bayan* newspaper, Oteiba said: 'Cutting prices will not solve the problem, and the only successful solution is to cut production, even if that means less revenue. Otherwise, we'll be facing serious problems.'

Having an oil well, preferably an entire field of them, once offered cast-iron protection against recession, but no longer. *Petroleum Intelligence Weekly*, the authoritative petroleum industry publication, claims that because of falling oil revenues, all but four Opec states — Saudi Arabia, Indonesia, the UAE and Qatar — have seen their domestic budgets tumble into deficit.

Even when Saudi Arabia's huge revenue surpluses are averaged in, oil exporting countries as a group are now net borrowers of funds from the western banking system — for the first time since 1978 according to a recent report from the Bank for International Settlements.

Few Opec countries have followed Iran's example and openly ignored the \$34 a barrel benchmark price. Instead Algeria, Nigeria and Libya are reportedly dropping their prices through hidden discounts, barter deals or easy credit terms.

Oteiba's remarks on cutting overall production seem to have been directed at Saudi Arabia, the only Opec country with enough leeway in output to withdraw from the international market the 2m b/d that is needed, according to industry experts, to soak up the world surplus.

Once the market showed signs of tightening, however, there is no guarantee that exporting countries with hefty revenue requirements would not immediately boost their production. The two poorest Opec countries are Iran and Iraq, which have bat-

tered each other's oil facilities and depleted their foreign currency reserves through the Gulf war. These two, and the other seven Opec countries in financial trouble, need to lift their total output by 5m b/d to balance budgets.

Opec, which once had a corner on the crude market, now sells no more than 20.5m b/d, less than half total non-communist consumption. The organisation is faced with declining demand and fierce competition from non-Opec sources such as Mexico, the North Sea and Egypt, which have been increasing their production by 1m b/d, it is reported. Oteiba recently claimed that industrialised countries were 'giving priority to the oil coming from outside Opec, in order to bring prices down.' According to New York industry sources, speculative traders have also been trying to spur on the drop in spot market crude prices by claiming to have sold oil at 30 cents to 50 cents below the levels at which deals were actually concluded.

CSO: 4400/167

IIC TO ENTER BANKING

Dubayy KHALEEJ TIMES in English 18 Feb 82 p 16

[Article by Yusuf Urdoh]

[Text]

THE Sharjah-based Islamic Investment Company (IIC) is poised to penetrate into the banking business in the Gulf.

The three-year-old company which specialises in investments on Islamic principles will establish three banks before the current year comes to a close.

The IIC will take its first step in this direction within a month when it launches an offshore branch in Bahrain. The company will also open two new banks in the UAE and in Doha, Qatar.

"We have already submitted our applications to the monetary authorities of these two countries," Mr Hassan Abdel-Kader, the general manager of the company, told Khaleej Times on Wednesday in Abu Dhabi.

However, Mr Abdel-Kader expected the two banks would be opened before the year's end.

Mr Abdel-Kader said that they would concentrate on commercial banking and emphasis would be given

to trade financing, plus the projects which prove to be beneficial to the Islamic community where the banks would be based.

He added that new companies would be opened in Malaysia, Senegal and Guinea very soon.

The IIC has already 27 branches in the Arabian Peninsula which mainly cater to the Gulf region. The general manager said that they would hold their board of directors and shareholders annual meeting in the middle of next month in Sharjah.

According to the general manager, the organisation has attracted over 18,000 share applications in the last two years. He added that they were determined to promote Islamic banking and Islamic investment principles which are against usury and interest.

Although there is a Central Bank moratorium on the multiplication of banks, Mr Abdul Malek Al Hamar, UAE Central Bank Governor, had earlier told Khaleej Times that they were doing everything possible to promote specialised banks and Islamic banking.

CSO: 4400/161

GULF IRON, STEEL INDUSTRY PROGRESSING RAPIDLY

Kuwait AL-RA'Y AL-'AMM in Arabic 21 Dec 81 p 8

[Article: "Arab Tendency Toward Industrialization Worries Western Countries; Success of Existing Gulf Industries Encourages Their Expansion and Diversification to Realize Self-Sufficiency"]

[Text] The Arab Gulf states are on the threshold of a new phase in which they will move from being consumer societies to producing societies that export some of their production after realizing self-sufficiency.

If the oil and petrochemicals industry stands as proof of the transformation of the Gulf society into an exporting society, the steel and iron industry in the area's countries has achieved a qualitative leap in their social and economic life by diversifying the sources of revenue and adding a source other than oil.

Iron and Steel Industry

The iron and steel industry has moved Gulf society to the phase of industrial competition with the world for the first time. The Arab world steel industry began in the 1940's, first in Egypt and then in Tunisia, with a very limited production capacity. Algeria followed after the triumph of its revolution and then other Arab countries followed, the latest being Qatar, which now ranks third in steel production behind Egypt and Algeria, with its steel produced by QATSCO [Qatar Steel Company].

The Qatar iron and steel industry, which this year achieved a production rate of 135 percent of the iron and steel plant's designed capacity of 400,000 tons annually, is considered one of Qatar's most important industrial achievements. The Qatar iron and steel plant, which started operation in 1978, is considered one of the most important three Mideast plants using gas and oil in the process of transforming iron ores into sponge iron.

The local market consumes 50,000 tons of the plant's production and the rest is exported to neighboring markets. Engr Muhammad Sa'id al-Mishal, director of

the Qatar Industrial Development Technical Center, says that the Qatar Iron and Steel Production Company has proven that its production is much better than similar production and that the company has established its reputation in the Gulf markets to the extent that the demand has greatly exceeded production. Moreover, the company in 1979 realized profits at the technical and production levels exceeding 100 million riyals.

Western Concern Over Arab Industry

The Arab Gulf states consume large quantities of iron rods, of which large amounts are imported from Japan, which, along with other industrial countries, is trying to compete in the Gulf market with prices that Engr al-Mishal characterizes as prices with political and not economic motives. Chase Manhattan Bank expressed in one of its economic publications the concern felt by the industrial countries because of the inclination of the Arab countries in particular, and the developing countries generally, toward industrialization, especially in the sphere of iron. The bank warns that this inclination has begun to create real problems for the major Western iron and steel producers. The publication points out that 10 years ago, these countries consumed 50 million tons annually and produced only 35 million tons, importing the rest from the United States, Europe and Japan. The publication also says that with the onset of 1982, their production will rise to 126 million tons and that they will consume 122.6 million tons, meaning that the surplus will be sold in foreign markets, thus competing with Western industries. Western industries will thus lose twice, once by losing the markets of the developing countries, including the Arab markets, and a second time by facing the competition of the new industries in the marketplace.

At a time when the iron and steel industry in Europe and other parts of the world is experiencing a recession because of energy prices and high wages--a recession that has forced this industry to close some of its plants or to turn them into plants producing complementary products--the State of Qatar has built a plant that yields the highest production rates in the world. Iron and steel production rates in the Gulf area amaze the Western countries because the high rates mean that the Gulf states' industry will compete with the producers in the West and Japan and will open new avenues for spending the surplus oil money in the Arab countries generally, whereas the Western countries look forward to recycling this surplus in them through certain investments. The industrial renaissance in Qatar, embodied in the steel and iron plant and in the petrochemicals complex, which represent a lofty symbol of man's determination, would not have taken place and would not have seen the light of day were it not for national control over the oil resources and the sound development plans the Arab gulf states have realized over various periods since their independence.

Realizing Industrial Integration

To preserve the industrial progress they have achieved, the area's countries must protect their production. There is no doubt that one of the goals of the Gulf Cooperation Council is to realize economic integration among its members for their good and for the good of their people. Protecting the local production of the member countries is a fundamental step on the path to this desired integration. A symposium was held in Doha at the beginning of the current month of December on the role of electrical furnaces in the iron and steel industry. Sixty delegates representing 25 companies involved in the iron and steel industry in 16 Arab and foreign countries took part in the symposium. The symposium urged the member states of the Arab Iron and Steel Federation to take the necessary steps to invigorate the iron and steel industry in the area and to protect local production against foreign competition.

8494

CSO: 4404/202

USE OF GAS AS A FEEDSTOCK IN PETROCHEMICAL INDUSTRIES INCREASES

London 8 DAYS in English No 9, 6 Mar 82 pp 54-55

[Text]

THE GULF states are trying to diversify their sources of income away from oil, their sole revenue-earner during the past decades, in preparation for the post-oil era. Their gas, the greater part of which has yet to be discovered, may be as extensive as their oil, but the relatively low price of gas in the world market has discouraged exploitation.

Some states have established plants to make partial use of flared (associated) gas and natural gas, estimated at more than 248.23 trillion cu ft. But more attention is being given to petrochemical products, with a view to expanding the industrial base of the seven Arab Gulf states, members of the Organisation for Industrial Consulting (GOIC).

A recent study by the Doha-based GOIC, which groups Saudi Arabia, Kuwait, the UAE, Iraq, Bahrain, Qatar and Oman, said that these countries still lack some basic materials for intermediate and finished petrochemical products, such as propylene and butadiene. To secure basic materials for the production of these petrochemicals, a unified strategy should be considered, the study said.

The possible difficulties facing the expansion of this industry in the Gulf necessitated a thorough study of the market situation and of future world demand, although the rate of world consumption of petrochemical products is encouraging, and is expected to double by 1985. The GOIC study added that some local Gulf petrochemical products cost half as much as those from other areas. Ammonia produced from the Shuaiba plant in Kuwait costs only half that obtained from the Gulf of Mexico, and methanol from Shuaiba also costs less than

half. These lower costs are generally attributed to the availability of natural gas and easier exploitation.

Petrochemicals planned for production in the Gulf in the next few years include methanol, ammonia, urea, ethylene, propylene, formaldehyde, low-density polyethylene and polypropylene. World demand for these products is expected to triple over the next 20 years. The Gulf Arab states have the capacity to establish seven methanol plants, 35 ammonia plants and 128 ethylene plants.

Qatar leads the Gulf in petrochemical production. It started to export ethane and low-density polyethylene last year from its plant at Umm Said, 50km south of the capital, Doha. It was followed by Iraq, which started petrochemicals export in 1981 from Basra. Kuwait and Saudi Arabia are expected to start production in commercial quantities in 1984.

The Gulf states' production of ammonia was only 1.46m tonnes in 1978, but is expected to reach 4.94m tonnes in 1987 (8 per cent of anticipated world production), while their production of urea in 1978 amounted to 1.87m tonnes and is forecast to reach 5.85m in 1987 (26 per cent of estimated world production).

Forecasts say that by 1987, the Gulf countries will jointly produce 3.2m tonnes of ethylene (5.8 per cent of world production), 1.25m tonnes of low-density polyethylene (7 per cent of world production) and 1.53m tonnes of methanol (10.3 per cent of world production).

Qatar was among the first Gulf countries to realise the need for a shift from total dependence on oil exports, and to diversify industries. Qatar and France agreed

recently to raise the capital of their joint company, Copenor, from \$77.4m to \$169.9m to meet plans for expanding their petrochemical complex at Dunkirk on the north coast of France.

Last December, the partners — the Qatar General Petroleum Corporation and CdF Chimie — decided to build a second low-density polyethylene (LDPE) plant at Dunkirk, with a design capacity of 100,000 tonnes a year of linear LDPE, a new product developed by CdF Chimie for injection moulding. Work on the plant is likely to start next year.

QGPC and CdF Chimie are also partners in the Qatar Petrochemical Company (Qapco) at Umm Said, on an 84:16 per cent shareholding basis. A new high-density polyethylene (HDPE) plant is planned for the Umm Said complex, with construction beginning in 1982. The \$80m plant, expected to yield 70,000 tonnes of HDPE a year, is to go onstream by the first half of 1984.

Qapco's current production of 100,000

tonnes of low-density polyethylene is predicted to reach 140,000 next year. Qatar's ethylene plant, however, has been operating at much less than 50 per cent of its annual capacity of 280,000 tonnes. The poor production output is attributed to insufficient and irregular supplies of associated gas.

Qapco's ethylene plant needs 2,000 tonnes of gas a day, but has been receiving less than 1,000 tonnes and even this supply fluctuates. The company expects the supply to improve in the future, and also hopes to generate industrial spin-offs in the form of light industrial ventures with the Qatari private sector.

All this illustrates how much the petrochemical industry depends on gas. Qatar possesses huge amounts of gas, some of which is being treated by its two natural gas liquid plants, but it is easier to establish petrochemical than LNG plants. The former require less capital while yielding more profits. Moreover, a petrochemical plant needs only half the natural gas required to feed an LNG plant.

CSO: 4400/166

FACTORIES REPORT INCREASE IN OUTPUT

Leather Processing

Kabul KABUL NEW TIMES in English 3 Mar 82 p 3

[Text]

Following the new phase of the Saur Revolution, important decisions were taken towards improvement of economic, social and cultural conditions, especially in the development of industries in the country.

All-sided efforts and endeavours have also been taken to expand industrial productive organisations.

Among the others, the banks of the country, by extending loans, have rendered valuable services to the productive organisations. Therefore, we sincerely express gratitude to the effective cooperation of the country's banks towards the development of local industries.

The above was stated by Haji Begi Bai, President of the "Dari Barsakh" Leather Joint-Stock Company during an interview with the reporter of the Kabul New Times. Further expounding on the methods of activities of that organisation he added: "This factory

began operation in 1969 with an initial capital of five million Afghanis and its final capital was Afs 20 millions which was raised to Afs 24 million in 1975, and Afs. 30 millions in 1977 and in 1980 to Afs. 34.5 millions. At present, the circulating capital of the factory is Afs. 18 millions and its stable capital is Afs 16,500,000.

The products of the factory are pickled sheep, goat and cow hides, which meets the international standard from the quality viewpoint. The factory's products are exported as there is no market for it within the country."

"The factory has modern equipments. There are a total of 89 workers including six administrative employees, 12 unskilled and 71 skilled and technical workers engaged at work, and if raw materials are available, the factory can produce 3,000 pieces of hides daily.

The required raw materials such as sheep, goat and

cow hides are purchased from the butchers and other people from the capital and provinces who deliver the goods directly to the factory.

Presently the factory markets its products to the Soviet Union, Czechoslovakia, Italy, Hamburg, Holland and Hungary.

He added: "The 'Dari Barsakh' Leather Joint Stock Company has produced and exported 952,703 pieces of processed blue hides in 1980. The output of the first six months of this year is 38 per cent less compar-

ing to the same period last year. The factor responsible for drop in export has been the 30 per cent dollars sale proceeds of the company which was not purchased by Da Afghanistan Bank.

The factory's sale in 1980 fetched Afs. 250,449,980 while the sales during the first six months of the current year amounts to Afs. 47,663,496. However, 411,772 dollars remained unsettled in the clearing account until the end of the Jaddi of the current year, because it was not purchased by the Da Afghanistan Bank and its equiva-

lent in Afghani has not been obtained yet.

He added at the end: Expansion and development of the local productions belong to the types and ways of assistance offered by the Government, availability of raw materials, export facilities, better working conditions, skilled workers, tax exemption, marketing in the national and international level and finally the volume of supply and demand, which happily the DRA government has and is rendering all possible cooperation to us in spheres mentioned earlier.

Metallurgy, Machinery

Kabul KABUL NEW TIMES in English 4 Mar 82 p 3

[Text]

According to the decision of the DRA Government, the Jangalak Factories will be further expanded so to help further development of transportation in the country. During the first six months of the current Afghan year the Jangalak Factories has produced more than Afs. 87 million worth of goods.

The above was stated by Eng Mohammad Omar, president of the Jangalak Factories. Further expounding on the operations and future developmental plans he added: The project for expansion and renovation is on hand. With the completion of the project the repair and casting plants will be further enlarged. With the expansion and reconstruction of the motor workshop

and casting plants the annual production capacity of the two plants will be increased considerably to meet the increasing needs for spare parts required by cement factories and thorough and complete repair of the vehicles.

New and modern machinery will be installed at the casting plant, as a result of which its annual productions will increase to 500 tons casting iron, 1600 tons steel and 20 tons coloured metal.

Talking on the historical background of the Jangalak Factories, Eng Mohammad Omar further added: The Jangalak Factories was officially inaugurated in July 1960. The initial capital of this enterprise was Afs.

175.9 million and its final capital will increase in proportion to its future developmental plans.

The Jangalak Factories has ten major plants including the Motor Repair Plant, Metal Technical Plant, Metal Construction Plant, Casting Plant, Oxygen production plant, Electric Appliances Repair Plant, Painting and Maintenance and Tools Making Plant. All the plants are functioning under the single management of the Jangalak Factories.

Motor Repair Plant: This plant has various sections and its main function is repair of vehicles with the USSR trade mark.

Metal Technical Plant: Various metal goods such

as beds, nails, water pumps, thrashing machine and various small agricultural tools are produced in this plant.

Metal Construction Plant: In this plant metal hangars for storage, immovable and movable tankers with various capacity, ranging from 1,000 litres to 400,000 litres, as well as tankers installed on lorries for transportation of petroleum products are produced. The plant also manufactures window panes, metal doors and other small and big metal products and frames for vehicles.

The casting plant: The plant manufactures cast weights ranging from 500 grammes to 20 kgs; cast balls for cement factories with 30 to 100 mm diameters, water supply equipment such as joint, facets, and other cast spare parts.

Carpentry plant: This plant manufactures office furnitures, seats for vehicles. The furnitures made in this plant is a combination of wood and metal works.

The oxygen plant is producing oxygen for medical and technical uses by health and technical departments.

Electric appliances with Soviet trade mark are also repaired at another plant.

Painting plant: In addition to products manufactured at the Jangalak Factories, the plant offers painting services to other organisations and individuals.

The maintenance plant makes every possible efforts to keep all the machineries at the factory in running condition.

In 1960 the Jangalak Factories, by having 378 workers on its payroll, produced Afs. 5.4 m. worth of goods while in 1980 its production reached Afs. 198.9 million with 1225 personnel on its payroll, a marked increase in each worker's annual turnover.

The Factories produces goods on the basis of orders put by the clients. However, its main products are metal hangars in various size and volumes, repair of motors and engines with Soviet trade mark, agricultural tools such as water pumps, thrashing machine, Ariana ploughs, nails, water supply equipment and some other goods for use in the cement and textile factories which in view of quality, fully meets the needs of the local industrial plants.

The Jangalak Factories has 463 units of machinery including transport cranes. Despite some difficulties such as shortage of raw materials and less orders etc. The Factories has been able to achieve its plan tar-

gets. This is an indication of the all-round efforts of the workers and management of the Factories to boost productions.

The major part of the raw materials is procured from the Soviet Union and the rest are purchased at the local markets. The total number of employees this year was 1235 including ten foreign experts.

Since its establishment the Jangalak Factories has rendered valuable services and has taken active part in some major development projects in the country such as Nangarhar Canal project, chemical and power plants of Mazare Sharif, and other organisations. The major clients of the Jangalak Factories this year has been Sugar and Petroleum Products Monopolies Department, National Defence and Mines and Industries Ministries.

The production in the first six months of the current year reached to Afs. 87 million while during the same period last year it was amounted to Afs. 85.8, thus showing an increase of 1.4 per cent.

Similarly the sales of the same period amounts to Afs. 112.5 million while the previous year it amounted to Afs. 65.8 million, thus showing an increase of 71 per cent.

U.S. POLICY TOWARD LIBYA SCORED

GF121616 Manama AKHBAR AL-KHALIJ in Arabic 12 Mar 82 p 1

[United editorial]

[Text] In many cases the United States has branded its relations with the Arab homeland with black marks that are not easy to ignore. The United States has long viewed Arab interests as a secondary matter. Moreover, it does not practice self-restraint in matters involving its own interests. It frankly and clearly announces that it will interfere wherever it is threatened. Even when the United States stood up ferociously on all levels against the Arab struggle designed to stop the Zionist aggression and liberate their territory occupied by its ally with U.S.-made aircraft and bullets, the Arabs were the side that showed forgiveness and continued friendship with the United States in the hope that it would understand the Arab position. But the United States does not want to show understanding. It continues its surprises, one after another, as if it ridicules the hope of many Arabs in what remains of U.S.-Arab relations.

The latest U.S. surprise was the boycott and embargo undertaken against our Arab people in Libya. It is as if the United States wanted to strike at the Arab peoples separately and at their means of development after having Arab positions partitioned under its auspices at Camp David. With this the United States not only achieves military superiority for Israel but also economic superiority.

Undoubtedly, the call by the second Arab energy conference, held in Doha, to support the Libyan people and foil all the measures undertaken by Washington requires praise and support. We support it because we refuse to let the United States strike at the bases of economic development in any Arab country under any pretext. Moreover, this measure is aimed at people and not a government.

Actually the U.S. transfer of its hostility to Arab targets in the development arena--under such bad and deteriorating international economic situations--is a grave development which will make the peoples pay a dear price to achieve their economic progress. The Arab countries have to move quickly to confront this danger and protect the Arab and other peoples who may be affected by the economic war which Washington announced.

CSO: 4404/352

BAHRAIN

BRIEFS

COMMERCE MINISTER VISIT TO KUWAIT--Bahraini Commerce and Agriculture Minister Mr Habib Ahmad Qasim today returned from fraternal Kuwait after concluding a short official visit of 3 days. Upon arrival he told WAKH that his visit to Kuwait was at the invitation of Kuwaiti Commerce and Industry Minister Mr Jasim Khalid al-Marzuq. He noted that he had the honor of meeting with His Highness the Amir of Kuwait and his highness the heir apparent and the prime minister, and he conveyed to them the greetings of His Highness the Amir [of Bahrain], his highness the prime minister and the heir apparent and the supreme commander of the Bahrain defense force. He added that he held talks with the Kuwaiti commerce and industry minister dealing with the close economic and trade relations that link the two fraternal countries, talks also centered on the issues that will be discussed in the GCC commerce ministers conference. The commerce and agriculture minister pointed out that, during the visit, he attended the opening of the branch of the Bahraini-Kuwaiti Insurance Company, which took place under the patronage of his highness the Kuwaiti heir apparent and prime minister. He was accompanied by Mr Hasan al-Nisf, commerce and agriculture ministry assistant for trade affairs, Baqir al-Tajir, director of supplies and pricing, and Ibrahim Matar and Hamad al-Shihabi from the Commerce and Agriculture Ministry. [Text] [GF112015 Manama Domestic Service in Arabic 1530 GMT 11 Mar 82]

CSO: 4404/352

LEADERS, PROMINENT MEMBERS OF PEYKAR GROUP ARRESTED

Tehran ETTELA'AT in Persian 13 Feb 82 p 2

[Text] ETTELA'AT's news service reports that due to the efforts of Tehran revolution guards, Islamic revolutionary committees and the friendly assistance of the '36-million-member Intelligence Organization,' the hideout of the leadership cadres of the terrorist minigroup Peykar Organization together with 29 group houses belonging to the military and political branches of this minigroup were discovered in Tehran and occupied by the guards.

As a result of the discovery of these group homes, revolution guards arrested the leaders of the central cadre and more than 40 active members of the political-military branches of the minigroup.

At the same time many large stocks of arms and ammunition as well as communications and printing equipment, belonging to Peykar minigroup, were found and seized. The discovery of these group homes coincided with the discovery of group houses of the hypocrite-troublemakers [Mojahedin-e Khalq].

In announcing the above, an informed public relations official of the Islamic revolution guard corps headquarters added the following information during his discussion with our correspondent:

Items discovered in the storming operations of 11 underground headquarters included supply facilities, arms, ammunition and printing facilities, IBM typewriters, special presses for turning out forged documents, a large quantity of organizational and interorganizational documents and papers, handwritten assignment papers and information about the houses of individuals dedicated to revolution and the planning and planting of bombs.

He also said: Among those arrested were 'Alireza Sepasi-Ashtiyani going under the name of Da'i and Hoseyn-Ahmad Rohani known by the pseudonym Sohrab. The former was the number one man, the leader and the central secretary of the Peykar Organization. He was one of the founders of one of the minigroups which joined the organization of the hypocrite-troublemakers [Mojahedin-e Khalq] in 1969-70 and in line with the ideological evolution of the hypocrite-troublemakers became a Marxist in 1975-76 and together with the executed Taqi Shahram and a number of Marxist-Leninist turncoats established the Mojahedin-e Khalq Organization. The latter was the number two man of the organization, a

member of the central cadre and one of the first members of the hypocrite-troublemaker organization which he joined in 1965-66 and also one of the first members of the organization turned Marxist in 1966-67. From March 1967 on, Hoseyn-Ahmad Rohani was the organization man for Mas'ud Rajavi, the traitorous and fugitive leader of the hypocrite-troublemakers. As a leading brain of Mojahedin-e Khalq in 1972 he was received by the Imam in Iraq where he tried to get the Imam's backing for the breakaway minigroup by resorting to Nahjolbalagheh and the Koran.

The public relations office of the Islamic revolution guard corps headquarters issued two advisories in connection with the discovery of the hideout of the leadership cadre and 30 safehouses belonging to the Peykar terrorist minigroup which state that 1) 'Alireza Sepasi-Ashtiyani, leader of the organization, 2) Hoseyn-Ahmad Rohani, the mastermind of the organization and the author of many theoretical treatises of Mojahedin-e Khalq including "Shenakht" and 3) Masu'd Jigareh'i, in charge and organizational brain of the group were arrested. At the same time more than 40 responsible cadres and members of the organization were also apprehended including:

1. Ahmad-Ali Rohani going under pseudonyms Naser and Hasan, a ranking cadre, alternate member and adviser to the nucleus of the organization. He was a member of the central nucleus of the Tehran branch, its organizational secretary and also responsible for the organization's military strike group. In 1975-76, he along with other turncoat members of the Marxist-Leninist section, founded the Mojahedin-e Khalq and since 1977 had been one of the members of the group's council of responsible individuals.
2. Behjat Mehrabadi with the organizational name of A'zam, the wife of Ahmad-Ali Rohani, one of the ranking cadres of the organization having overall responsibility for the information and security committee of Peykar. She was a long-term member of Peykar organization and fellow team member with Taqi Shahram, Fatemeh Amini and Mahbubeh Mottahedin. Her responsibilities since 1977 included membership in the Marxist-Leninist section of Mojahedin-e Khalq.
3. Monireh Heda'i with the organizational name of Sudabeh was a ranking cadre and adviser to the top leadership of the groups as well as a top member of the branch for the education of students (D.DD.)
4. Zahra Salim with the organizational name of Pari was among the activists of the group's labor branch. She was arrested in the leadership safehouse and is the organizational "mate" of Hoseyn-Ahmadi Rohani.
5. Qasem 'Abedini with the pseudonyms of Akbar, Kaveh and Mojtaba, has been among the experienced and ranking cadres of Peykar and a member of the central body of the Tehran branch, in charge of arm supplies and in charge of forging. In the previous period he was a member of the group's central body and as the group's candidate participated in the Majlis elections in Borujerd. He was one of the founders of the Arman-e Khalq communist group which joined Peykar in 1975.

6. Mehri Heydarzadeh with the organization names of Zohreh and Goli, was a top ranking member of the labor branch and had previously been in charge of the women's branch and a Peykar candidate for a seat in the Majlis.
7. Asghar Akbarnezhad-'Oshshaq with the pseudonyms Manuchehr and Mas'ud, a member of the central body of the Tehran branch and in charge of communications and expansion. He was a longtime member of Mojahedin-e Khalq and became a Marxist in 1975.
8. Edna Samet with the organizational names of Zohreh and Tahereh, a member of the Tehran branch main body, had overall charge of the labor organizational branch of Peykar. She was among active members of Cherkha-ye Feda'i-e Khalq from 1973 on and joined Peykar in 1977.
9. Mas'ud Mohammadi with the organizational name of Firuz and among ranking theoretical cadres of the group. He had been one of Peykar's 4-member ideological committee and the Peykar editorial board.
10. Fereydun A'zami with the pseudonym Amir has been an active member of Peykar and in charge of supplies and arms stocks of the Tehran branch of the organization.

In addition to those arrested, revolution guards also seized many documents relating to possible procurement of arms and publications of the group.

5854

CSO: 4640/175

PRESIDENT SAYS IRAN WILL NOT TOLERATE FORCE, DOMINATION

Tehran ETTELA'AT in Persian 13 Feb 82 p 14

[Text] Ceremonies were held in the Foreign Ministry Thursday in the presence of the President of the Republic and attended by foreign ambassadors and charges d'affaires on the occasion of the anniversary of the revolution.

In these ceremonies, which opened with readings from the holy Koran, and in which our Foreign Minister Mr 'Ali Akbar Velayati was in attendance, as well as a number of officials from the Foreign Ministry, first Vladimir Vinogradov, Soviet Ambassador to Tehran, as chief of the diplomatic corps, gave a talk. Then Mr Velayati, during his remarks and while thanking the ambassadors and charges d'affaires, said: The Islamic revolution of Iran, with the special characteristics that it has, does not belong only to the Iranian nation, but also to all Muslims, oppressed people, and to all human beings whose hearts beat for justice and humanity. Then the President of the Republic gave the following speech:

In the name of God, the Merciful, the Compassionate - Honored Guests.

On the third anniversary of the triumph of the Islamic revolution of Iran, I am glad to explain to you respected ambassadors, with a firm faith and a confident heart, a few of the issues of our revolution, and to clarify the positions of the Islamic Republic. First I think it necessary to tell you briefly about the truth that the Iranian nation has pursued throughout its bloody and arduous 15-year struggle:

We were a large nation which, despite having a culture with deep historical roots, and despite being endowed with many sources of wealth, a vast land, and countless human resources, was imprisoned by the political and economic chains of the superpower America. Instead of being spent on our social, economic, and cultural progress, our wealth poured into the coffers of the large multinational corporations or went for the pleasure and luxury of tyrannical domestic rulers. Our people, estranged from any opportunity that would provide for the growth of human resources and the power of creativity and innovation, were helplessly transformed into consumers of imported goods. There was no sign of social justice in our society. Poverty and deprivation burdened the majority of our nation. Corruption, immoral conduct, and addiction stained the environment. The world's industrial advancements of today brought nothing more than captivity to us. Assembly-line production, imports, and artificiality, while our agriculture was faced

with destruction and oblivion. Faith in Islam had been reduced to nothing with the great majority of our people, and being human counted for nothing. The governmental apparatus had been drawn into corruption, as had the entire nation in its wake. Our people did not have the right of self-determination. Over the course of decades our nation never sent delegates to parliament by popular vote or of its own will with the exception of one or two times. The regime's oppressive government ruled by tyranny and with oppressive laws. The primary factor for this anomaly was the tyrannical usurper regime, which was ready to commit any crime to retain its position. Fifteen years prior to the greatest and most all-inclusive victory, our nation began its struggle, under the guidance of the Islamic leadership headed by Imam Khomeyni, and attained victory in the shadow of diligence and sacrifice on 11 February 1980, the third anniversary of which we celebrate today. What we call the Islamic Republic is a system that wants to put all those malfunctions aside and to replace that insufferable hell with a just, free, independent, tranquil, and peaceful life. Contrary to the propaganda of our great international enemies, we are not bellicose, reactionary, and uncivilized. On the contrary, we consider the great international power brokers, led by the interventionist government of the United States, to be bellicose, reactionary, and corrupt. The position of our nation is that it wants to live free and independently and to determine its own destiny. We extend the hand of friendship to all governments that think our nation has the right to a free and independent life. We want to extend the hand of peace and reconciliation to all those who want to interact peacefully with us, but we will never come to terms with powers that cannot see a nation with its faith, its God-given wealth, and its nearly forty million people as the arbiter of its own destiny, nor will we tolerate any sort of coercion, power-grabbing, or imposition on the part of any power in the world.

This was why we ejected the usurper occupationist state of Israel from our circle of friends at the beginning of the revolution, and why we cut our relationships with the fascist South African government, the treasonous Sadat regime in Egypt, and finally with imperialist America.

The Iranian nation is a self-activated and self-sacrificing nation, and this is any nation's greatest asset. This nation, which now has a government of its own choosing and not that of selected classes and elites, has the reins in its own hands, will be able to clear a path for itself in spite of all the difficulties and make its way toward its aspirations and ideals. We have no doubt that the Great Satan's plots, whether political, economic, or military, or finally, whether they are in the form of propaganda plots, will be broken by the power of our faith.

We are caught up in a war today that was imposed upon us in the wake of these same plots. This war, which has gone on until now at the price of tens of billions of dollars in material losses and the blood of thousands of people from the two nations of Iran and Iraq is a sample of the international plots against us.

We never sought war, and we did not ignite its flames, but we have no doubt that this war of aggression will only end in defeat and disgrace for the aggressors.

Our forces are sufficient for this victory, but at the same time we have never rejected and will not reject a just peace. The aggressor government of Bagdad, despite its claim to be desirous of peace, is now in our home. The first condition for peace is that aggression be ended, then that retribution be paid for war losses, and finally that the aggressor be sentenced to the necessary punishment by an international court.

To the same extent that we suffer from the bereavement of our martyred young people, we sympathize with bereaved Iraqi mothers, and we are hoping for the day that these two correlative neighbor nations can live side by side pleasantly and peacefully, far from the plots of the hand-picked agents of imperialism.

Once again we express our feelings of friendship for you respected guests at the beginning of the fourth year after the birth of the Islamic Republic.

Peace be upon you and the mercy and blessings of God.

9310

CSO: 4640/174

'PRAVDA' REVIEWS STATUS OF RELATIONS WITH IRAN

Moscow PRAVDA in Russian 9 Mar 82 p 4

[Article by Pavel Demchenko: "USSR-Iran--In the Interests of Good Neighborliness"]

[Text] The victory of Iran's revolution in 1979 was one of the most important events in international life in recent years. The revolution greatly changed this country's life and its position in the international arena. The newly formed republic decisively refused to play the role of U.S. military and political ally and imperialist gendarme in the oil-bearing region of the Persian Gulf, left the pro-U.S. CENTO pact and joined the ranks of nonaligned nations. The newly formed republic announced that it would be among the nations fighting against colonialism and Zionism and for freedom and independence.

It is natural that the Soviet Union warmly welcomes positive changes in Iranian policies since this expands the area of similar positions our two countries hold in the international scene and also prepares the ground for the expansion of relations between them on the basis of true good-neighborliness. It should also be pointed out that the Soviet Union is not seeking any special rights or advantages for itself in Iran and has no territorial claims on Iran, but it also wants the peoples of the two countries to coexist peacefully and have friendly cooperation to the advantage of both sides. In the report by the CPSU Central Committee delivered to the 26th party congress, it is stated: "The people of Iran are searching for their way toward freedom and prosperity. We heartily wish them success in this endeavor and are prepared to expand our good relations with Iran on the basis of equal rights and, of course, on the basis of reciprocity."

Now that 3 years have passed since the fall of the shah's regime, the end of the era of U.S. rule in Iran, and when many negative elements in Iranian foreign policy have been eliminated, it seems that the widespread possibilities for expansion of Soviet-Iranian relations should have become a reality. However, let us look at reality. If we look at commercial and economic relations, we see that figures on such relations are impressive and speak for themselves. We need mention only one figure: Exchange of goods between our countries last year was R800 million (more than \$1 billion). Construction projects in many production facilities previously built in Iran with Soviet cooperation are

operating. The Esfahan steel mill, the biggest steel mill of the Iranian metal industry which has control over iron and coal mines, is one such industrial unit. The discovery of these mines and their preparation for production were also carried out with the aid of Soviet experts.

Iran is repaying loans granted to it by the Soviet Union and has expressed willingness to further expand commercial and economic relations with the Soviet Union. Energy Minister Ghafuri-Fard, who was in our country recently, carried out negotiations and signed a protocol on the expansion of cooperation between Iran and the Soviet Union.

It is clear that such willingness is to the advantage of both countries. In short, irrespective of problems that are faced and regardless of some unsolved problems, work in this area is in general not bad. The natural possibilities that exist in this field of cooperation are becoming a reality even though it is coming about somewhat slowly.

Unfortunately such a claim cannot be made about other areas of Soviet-Iranian relations, which have been harmed in the past 2 or 3 years. Let us cite a few facts. The official Iranian authorities, taking onesided action, reduced the number of diplomatic employees at the Soviet Embassy in Tehran, and the consulate in Rasht was completely closed. Soviet journalists are no longer granted entry visas. The Society for Soviet-Iranian Cultural Relations and a Russian-language teaching facility at this society have been closed.

The activity of the Iran-Soviet Bank, branches of the Soviet insurance organization and the transport service has been ended. We should also not ignore the point that such actions by the Iranian authorities are carried out in the atmosphere of severe anti-Soviet propaganda that is stoked constantly. An example is the slogan of the two threats--from the north by the Soviet Union and from the south by the United States. Clearly equating Soviet and U.S. policies only adversely portrays the policies of our nation and ignores the reality of international events.

It is important at this point to mention the famous message "to all Muslim working people in Russia and the East," one of the first documents issued by the Soviet Government in November 1917. Here it is stated that the imperialism-prepared "treaty on the partition of Persia has been torn up and destroyed." We can additionally point out that this action by the newly formed Soviet state helped Iran maintain its endangered independence.

However, we only wish to look at the evidence and truth of recent years. In the autumn of 1979 when the monarchy was falling in Iran, the foreign press published reports concerning U.S. preparations to invade Iran. Our leader, Leonid Brezhnev, warned that no intervention is allowed in Iranian affairs. This warning was like a cold shower on the hotheads in Washington.

About a year later the U.S. Government, which was very angry over its defeat in Iran, imposed an economic embargo on Iran. U.S. naval forces surrounded Iranian ports in the Persian-Gulf and thus caused considerable damage to the Iranian economy and created problems in securing food for the nation, as well

as many other goods essential to Iran. Not only did the Soviet Union condemn these actions, but it also granted Iran transit facilities through its roads and waterways and thus reduced the level of damage suffered by Iran due to the U.S. economic embargo.

Finally we look at another example from the not too distant past. It is assumed that everyone is aware of the decisiveness shown in the Soviet reaction to the abortive U.S. attempt to land forces in Iran in April 1980 under the pretext of liberating the hostages. The hostages have been back in their homeland for some time, but the U.S. naval force continues to patrol close to Iranian shores and reminds the Arabs and Iranians that they are not safe from the danger of new attacks and aggression. In fact, Washington does not hide its desire to recapture at least some of its lost positions in Iran, if not all of them.

This is the truth about facts for which there is no complete list. Comparing such facts, it can clearly be concluded that the policies of the Soviet Union and of the United States toward Iran and its revolution differ greatly. We see how baseless the claims about the "threat from the north" are. Such claims at times gain such intensity that the people who have been misled by anti-Soviet propaganda attempt aggressive demonstrations in front of the Soviet Embassy in Tehran and other places. The Soviet Muslim delegation invited to Tehran on the occasion of the third anniversary of the Islamic revolution was forced to leave the official celebration held on this occasion because hostile slogans were chanted against our country.

Naturally the question comes to mind: Who benefits from this? It seems that there are a few among the Iranian leadership who are opposed to good-neighborly relations and cooperation between our countries. We know that the Shi'ite clergymen who hold the reigns of government in Iran are not uniform in their political beliefs or social positions. There are various conservative factions in operation around the leader of the Iranian revolution, Ayatollah Khomeyni, which include groups with extreme rightist views. It seems that it is these groups who want to put up obstacles to the expansion of Soviet-Iranian relations, even though such action could harm the Iranian economy and Iran's ability to fight imperialist pressure.

In order to explain the hostile acts and remarks by such forces, the thesis that Islam and communism cannot coexist is voiced more than any other. This is a pompous claim totally inappropriate to international relations. The bases of peaceful coexistence supported by Iran are the bases of cooperation among nations irrespective of differences in social and political system, ideology or religion. This does not stop establishment of good relations when the sides have no intention of intervening in other people's internal affairs.

Emphasis on the so-called Afghanistan problem and the presence of the limited Soviet military contingent in that country is also futile. The DRA Government for the first time in May 1980 and again in August 1981 referred to the governments of Iran and Pakistan and suggested that relations with each should be normalized. To achieve this end it was suggested that bilateral or trilateral negotiations be held with possible participation by the UN secretary general

or his representative. However, to date neither Pakistan nor Iran has replied to these peace initiatives. The sooner this is achieved, the closer the reality of normalized relations between Afghanistan and Iran and Pakistan will become.

With reference to the presence of the Soviet military contingent in the DRA, it is sufficient to say that it is there at the request of the legal government of the DRA and it is only that government that can decide the need or lack thereof for such a presence. It is obvious that only when intervention in the DRA's affairs in any form, including intervention from Iranian soil, is ruled out will the necessity of this presence be over.

Thus an analysis of Soviet-Iranian relations shows that there are both positive and negative elements and that so far not all the possibilities for wider cooperation between Iran and the Soviet Union, which would be in the national interests of both countries, have been explored. The Soviet Union, as in the past, supports the Iranian revolution and supports the legitimate rights of the Iranian people to the independent choice of their future and the independent use of their natural wealth. The aim of Soviet policy toward Iran is to strengthen the foundations of mutual coexistence on the bases of true equality of rights and mutual willingness to act.

CSO: 1801/154

BRIEFS

OIL DRILLING CONTRACTS--The Iraqi National Oil Corporation (INOC) has offered India's Oil and Natural Gas Commission (ONGC) new drilling contracts for wells ranging in depth from 2,000-5,000 metres. In addition, INOC has asked ONGC to provide a seismic team, including data interpreters and trainers. Iraq wants ONGC to study exploration possibilities in difficult geological structures and the feasibility of injection or miscible flooding in the stratified high pressure Yamna oil pools, southern Basra. The two countries will also examine the improved recovery of high sulphur crude in northern Iraq, and the Delhi government is awaiting a formal invitation to help establish a research centre in Baghdad. [Text] [London 8 DAYS in English No 9, 6 Mar 82 p 55]

CSO: 4400/172

ISRAELI SOCIETY SEEN UNDER SEVERE STRESS

Tel Aviv BAMAHAHE in Hebrew 16 Dec 81 pp 24-26

[Article by Ruthi Loyab: "Life In the Pressure Cooker"]

[Text] About 3 years ago, under constant pressure from colleagues abroad, Prof Shlomo Breznitz (45) of the University of Haifa established the first center of its kind in the world for the research of problems of psychological pressure. Today, 3 years after its founding, the center serves as a source for information, consultation, and support for various bodies at home and abroad. Among them are the IDF, the Defense Ministry, Israeli industry, and Health Ministry, the Ministry of Education and Culture, the U.S. Army, which recently financed one of its most important studies.

What is social pressure, how is it measured and what areas of our life are affected by it?

We addressed these and other questions to Prof Breznitz, who after 16 years of studying psychological conduct is considered one of the great experts in this field.

Question: You established the center in Haifa because of the pressure of colleagues abroad, who thought that Israel was the most appropriate place in the world to locate it. Why?

Answer: The whole issue of psychological pressures is considered a hot one in the world today, especially in the developed countries. The establishment of the center in Israel was done with the idea that Israel was a country which could serve as a model for a country subject to particularly severe pressures, and at the same time it is basically a Western culture, with whose problems the Western world could identify and learn from. This is in contrast to other countries which live in the shadow of volcanos and other natural disasters which are certainly a source of serious pressure, but which are by their nature less developed countries, and from whom it is difficult for the Western world to learn something about itself.

Question: About which 'particularly difficult' problems do you speak in connection with Israeli society?

Answer: We speak of pressures of defense, lack of certainty, terrorist attacks, and in addition the fact that Israel is a society which is absorbing immigration, a fact which is a reason in itself for creation of pressures. In other countries which absorb immigration, such as Canada and the U.S. this matter has already been studied, and it has been shown that the immigrating population suffers much due to difficulties of adjustment, in contrast to the absorbing population. In Israel, the problem is heightened because in our case, in contrast to the U.S. and Canada, there is no veteran population, a second or third generation of natives who can supply a stabilizing element, which is free from the difficulties of adjustment. In Israel, we are all still adjusting, at one stage or another.

Question: And so we are different from the rest of the nations of the world?

Answer: Not only in this respect. We also have to take into account the issue of the Holocaust, which a large segment of the population brought as part of its experience. This generation still lives in the shadow of the Holocaust, and its effects have not been completely erased.

Question: You raise extreme events, such as defense pressures and the Holocaust, while the man in the street will tell you that his pressures stem from problems of livelihood, raising children, mortgages....

Answer: All that is true. Problems of economic survival, inflation, and also bureaucracy, definitely contribute to daily pressure. In my opinion, the most important factor in our situation is the constancy. The high frequency and immediacy with which events occur which affect all of us, directly, is far out of proportion with what occurs in other countries. Before the effect of one event has subsided, the next one occurs, really one thing after another.

Question: But there are those who say that precisely because of this, life in Israel is more interesting....

Answer: I'll tell you something about interesting life: I met some friends who were in Berne, Switzerland, and they told me with a smile that the problem concerning the citizens of that city. What concerns them most is the question of whether to paint the municipal buses red or yellow, which is prettier but does not blend in well with the color of the geraniums of the old city of Berne...

It is true that there are people who envy us and say: "Israel is the most interesting place in the world." But there is a Chinese proverb, and an ancient curse which says: "May your life be interesting." Why a curse? Because an interesting life carries a price: the grind. Take two burning candles, place one of them in a protected place and the other in a breeze. The exposed candle will burn with a more beautiful flame, but will burn out more quickly. The other will burn slowly, with a unimpressive flame, will last for a long time. This is the whole secret.

Question: With your permission, let us return to the Institute for Study of Psychological Pressure, which you head. How does one measure this phenomenon? Does pressure necessarily belong to the psychological sphere? Isn't there a physical component?

Answer: The truth is that today there is a tendency to place the study of pressure in the medical physical sphere. Because pressures cause problems. It is very simple. The most dangerous and lethal illnesses today are related to pressure, from high blood pressure and heart attacks to cancer. There is a possibility of relating pressure to cancer, because pressure affects the immune system of the body. When we set up the center 3 years ago, we were the first and only ones to study this area. Most of the other institutes which were established after us--and there are such in Japan, Canada, the U.S., and soon will be in Europe--went in the direction of medicine, and are adjunct to medical schools. We are still the only place involved in psychological pressure, at the fine line between psychology and medicine.

Question: You mentioned before constant daily pressures which have an effect on the total pressures with which we live. How much weight do you give to them in the general picture? Are they really so significant?

Answer: Today we believe that most medical problems stem from these constant little things, much more than from severe diseases which suddenly strike people. Being forced to stand in lines, lack of effectiveness in public transport, an income tax computer which leaves you empty handed, crowds, air pollution noise...the noise in our kindergartens and schools is really unbearable. All of these little problems fall under the category of the quality of life. Skewed human relations, such as the salesgirl who gives you an insult, are by their nature infuriating, and anger plays an important role in the dangers which I mentioned to you.

Question: And you are trying to study and measure all of these things in a laboratory? Is this the purpose of the institute?

Answer: When we set up the institute, we were concerned about the channels of activity. On the one hand, we live here, in a pressure cooker which floods us with relevant events at a devastating pace which could fully occupy us in providing counsel to institutions or affected communities. There are private clinics which provide such services. At the same time we did not want to give up workshops and groups, and the result is something in between, with an emphasis on research.

Question: One of the important studies which you have made was a study commissioned by the U.S. Army. I understand that it funded it. What was that study? Do the results have any ramifications for the IDF?

Answer: The subject of the study was the reliability of alarm systems, and the effect of false alarms on fear and readiness to act. The idea was to take a group of subjects, in our case volunteer students, and bring them to a condition of fear, to measure their psychological and physical response by means of various parameters, and later, with additional inflicted fright, to study whether and to what extent the parameters of fear decline with additional alarms.

Question: You mean, the idea was false alarms, or frights, which in fact did not materialize in real threats?

Answer: Precisely. One of the secondary matters which the U.S. Army wanted to investigate was the subject of hurricanes, which strike certain regions of the U.S. and in most cases without inflicting damage. Because of this, there is a decline in the level of tension and a lessening of readiness because of false alarms. Our goal was to find methods of preserving the credibility of the warning systems, in spite of the frequency of false alarms.

Question: How is such a subject studied in the laboratory? Can you describe the process?

Answer: The process begins when we invite volunteers for the study. In formulating the study, we sign an agreement that volunteers may leave the study at any moment they wish. The mere thought that they might want to leave in the middle of the experiment causes tension in them. This is also the case with the experiments themselves, and all of the measures of care taken, which leads them to believe that we are involved in a dangerous process. Later we put them in a room and connect them to electrodes, and threaten them with electric shock. We say that the shock is not dangerous, but is very painful. The subject sits and waits for an electric shock, in a situation of high psychological and physical tension. And then, after a period of time unknown to the subject, we tell him that the threat of shock is gone. In other words: cancelling the warning. After a period of additional time, we reconnect him to the electrodes, and threaten him again. And again the warning is cancelled. And so forth. As the number of cancellations increases, there is a corresponding decline of all parameters of fear in the subject.

Question: Which means that the subject is never actually given the shock?

Answer: Sometimes, yes. In certain cases, for example, when we think that the subject is not taking the threat seriously, we let him experience a shock to convince him that there is something to fear....

Question: What were your conclusions from this research?

Answer: We discovered that the greatest damage to the warning system in the long term was exaggerated threat. Commanders always tend to exaggerate threats, on the assumption that this will cause their men to serve as necessary. It appears that the result achieved is quite the opposite. This tendency exists in all armies of the world, heightened readiness to a greater degree than reality requires. This seems to be the case with secrecy as well: often the degree of secrecy is far too much. There are officers who automatically classify all documents as "secret" and "top secret" and in such circumstances it is very difficult to preserve the credibility of the system and a sense of importance, because when there is a document that is truly secret, the officer does not have additional means of making this apparent to others. It will be treated like any other "secret" document. This rule operates in many areas: when an officer tells his men every day in every matter. "Do this for me at once. It is most urgent and must be done immediately," then the term "most urgent" loses all effectiveness, and when that same officer needs something really urgently, he will need meaningless expressions, such as "most most urgent."

Question: What is the solution? We are talking about people who deal with pressing problems which sometimes do not bear postponement.

Answer: There is no such thing! There has to be an order of priorities. If an officer wants things to be done, he has to rank them, to know how to say: this is less important to me, and that is not urgent, but this you must do as soon as possible and that must be done immediately. Perhaps we are asking for something not human, but I think it is recommended.

Question: What is the danger in repeated use of false alarms?

Answer: There are two possible dangers. One stems from the fact that after cancelling an alert, there is no explanation for the cancellation. The type of explanation given determines to a great degree the attitude of people to the next warning. Unfortunately, in an overloaded system, people do not take the time to explain, for example, a sudden callup cancelled at the last minute. In the long run this is very damaging. In another sphere, a lot of damage occurs because of the tendency to increase alerts, which often increase in proportion to the motivation of the officer to be outstanding in his position. In the short term, his interest is to be in order, here and now, especially because of high turnover of officers. In the long run, the damage is that the men will not take seriously real alerts.

Question: If we have touched upon typical problems of army life, then one of the worst habits in the IDF is the matter of irregular sleep hours of officers, who tend to work to the middle of the night. Does this type of "personal alert" have a negative effect on performance?

Answer: The issue of sleep hours is definitely problematic, and now we are researching the issue of relief from pressures. Although we have not reached conclusions in the research, it seems to me that the problem is not the pressures themselves and their frequency, but the fact that there is no interim relief. The trouble is that in the IDF today, there are still no norms for sleep and rest. I have still to meet an officer who would say: The matter would be best served if you would give me some rest now. The lights burn in the offices to the middle of the night, but I would sleep more soundly if I knew that the officers went home at 5 pm. Such norms are difficult to break, and it will take slow and gradual education, to recognize that all machines have weaknesses, and that they need rest. Just as a man needs to eat, drink, and sleep, he also needs a break, to return to himself. It makes no difference if he meditates, or travels abroad. What is important is the quality of the absolute break from the pressuring business.

Question: From what you say, it seems that officers in the IDF never leave their place of work, and yet there are furloughs and Sabbaths. Even generals go home from time to time.

Answer: I do not think that a Sabbath at home is a relief. I can tell you about air force pilots who have "done Sabbath" with an ear to the telephone. This is their norm. They never leave without leaving a telephone number where they can be reached. No doubt this is sometimes necessary, but on the other

hand it is obvious that they are often called unnecessarily, only because there is a telephone within reach. From conversations with them I learned that the only time they feel cut off and tranquil is when they are abroad. My suggestions to them was that periodically, each pilot should take a mini-trip abroad, while remaining somewhere in Israel. Let them choose some place and designate it "abroad" where they cannot be reached by telephone. For them, it would be a true rest, on the condition that they themselves would not run to a telephone to call the unit to find out what is happening....

Question: But army life is not built only on routine. At certain times there is no choice but to live under pressure stemming from the type of assignment. How can one live with that? Are there internal defense mechanisms which enable men to run with the assignment but avoid the tensions?

Answer: One of the directions which we are investigating in this matter is the effect of hope on the ability of a man to face certain situations. Today we are researching to what extent surgical wounds heal among people who are hopeful about their future, in comparison to those who have no hope. Of course this is when the surgery itself is not the sort which endangers life or affects the future in one way or another. The idea is to physically study the formation of scar tissue at various times after surgery and to make comparisons. We have no findings yet, but I tend to think that if a man has hope, his body will invest more in the post-surgery healing process.

We have known about the link between withstanding pressure and hope since World War II. One of the well known phenomena is that of the American pilots who flew missions over Germany every night, and many of whom were unable to psychologically survive. The principal reason for their breakdown was lack of faith that they would succeed in coming through in one place. Later the American army announced that every pilot would be limited to no more than 40 missions over Germany, and as a result psychological breakdowns disappeared. How did this happen? The pilots, who at first were in the shadow of uncertainty, of no end in sight, suddenly saw the light at the end of the tunnel. Every successful mission brought them one mission closer to the required 40. The countdown is what gave them hope. In the professional jargon this is called manipulation of hope, because in fact it was possible that any one of them might not have to fly more than 40 missions, but by setting a limit, the task became finite, and possible to finish, and thus the ability to cope with it.

Question: I would like to return to our starting point: how do you explain that a whole population living today in Israel, and according to you under pressure cooker conditions, succeeds in coping? Does hope work for us?

Answer: Who said we are coping? The fact is that many people are throwing up their hands and fleeing. Emigration is one of the prices paid by society because of the inability to cope. Another price which is paid is that of health. I have no doubt that the number of people afflicted in Israel, physically and psychologically, is much higher than it should be in a society such as ours. There is also an educational price, which is perhaps more difficult to measure, and there is a price in the quality of life. In my opinion, the bottom line is far from characterizing a picture of coping.

7075

CSO: 4423

IDF SEEN TAKING ON EXCESSIVE CIVILIAN RESPONSIBILITIES

Tel Aviv HA'ARETZ in Hebrew 31 Dec 81 p 9

[Article by Ze'ev Schiff: "Business In Uniform"]

[Text] In spite of the fact that Defense Minister Ariel Sharon has promised us that his new reorganization plan is a fine product without any defects, and that only good things will come of it, there are several reasons for concern. First, in the central and most important part of the plan--giving responsibility to the Quartermaster Branch of the IDF in matters of purchases, construction, and property of the defense system in general, the first concern is that the IDF is being saddled with civilian responsibilities and missions, verging even on trade and commerce. These matters have no real connection with truly military duties. The final result is that the logistic system of the IDF will be weakened and diverted from its truly important mission: to build the army as a fighting force which is strong and flexible, and to concentrate on strengthening the fighting forces in the field.

The Quartermaster Branch has, since 20 December, received a long list of assignments which have involved all of its departments in new headaches. The proposal in defining the tasks of the purchasing and production Administration of the Construction and property Branch (as it appears in the government annual) shows that the purchasing Administration is not only responsible for purchasing every weapons system and other equipment which flows to the IDF, but also must supply various services both at home and abroad to the whole defense system. Moreover, the purchasing Administration (and now the Quartermaster Branch) also deals with sales of surplus ordinance of customs and other government ministries, as well as supplying important services, to move the equipment from abroad and deliver it domestically for the defense system. And above all, the purchasing Administration has been charged with the task of "working to develop a base for the defense industry for the purpose of deepening and expanding local production and reducing defense imports, with a few to future defense needs in industrial and technological potential in the country." The spread and penetration into areas of civilian business is sensed no less when one examines the task of the Construction and property Branch, which has also been transferred to the General Staff-Quartermaster Branch. Among other things, this branch is to be responsible for all real estate of the defense system,,handling apartments and real estate.

Anyone who would transfer all of these to one of the branches of the IDF General Staff, is building within the IDF a commercial nightmare, which will of necessity tangle the channels of the military logistics system. It is absurd to maintain that this is in accord with the basic conceptions of the founder of the IDF, David Ben-Gurion. It was quite the opposite, according to what he said regarding the matter of the organization of the IDF (18 October 1953): "Under the special conditions of defense, two basic principles must guide us: efficiency and savings. Therefore I have come to the conclusion that the General Staff should not be burdened with the responsibility of the economic and fiscal problems. The Chief of Staff and his aides must concentrate all of their efforts in planning for war and raising the quality of our army." He further said: "We must free the military command from economic, and financial concerns, and transfer the tasks of economy, supply, and budget to the civilian authority within the Defense Ministry."

What is being done now, under the cover of reorganization is the opposite of what Ben-Gurion said, and any sort of world game will not change it. The logistical system of the IDF has grown several fold since the 1950's, and many are asking now if it can carry out its mission with the doubling and tripling of the size of the army, in units and more so in equipment.

The process of extending the IDF into civilian areas has already begun. Ben-Gurion did not want, for example, that the IDF would have its own hospitals, but today the IDF is also acting as a provider, and producer. For example, instead of designing the Merkava tank and then having it produced by the civilian military industry, it took it upon itself, through the Ordnance Corps, to assemble the tank and be responsible for the production line. Many times it has been said that the task of production would be transferred from the IDF, but nothing is being done in that direction. And now Sharon has decided to burden the Quartermaster Branch with a double and triple burden.

Opposition to this is also found among military persons. There are those who claim that as a result of this reorganization, there will occur in the course of time a change in the character of the senior quartermaster officer in the IDF. Talented people will no longer be drawn to the field, where the fate of equipment is determined and where it must pass the final test, but rather to the commercial side, to business. A quartermaster officer type will be developed who is basically a merchant in his approach and thinking. The branch will slide more into business than into the maintenance of the fighting forces. It may be that they are correct who say that contact with suppliers and contractors will not corrupt military people any more than civilians who are clerks in the defense system; but it would be better if military people were not involved in these business deals. At most it would be necessary to integrate civilians into the Quartermaster Branch and military people into the civilian system, as is done in other defense ministries.

The experts are also concerned that the military people are too involved in a military manner of thinking. On the one hand, they will be pushed into commercial activity, and on the other they will be subject to the constant pressure of the salesman: to supply the army with everything, immediately and quickly. Every decisionmaker has his own goals, and that of the army is to receive the equipment as quickly as possible. The economic and cost factors are secondary to the military. An army plans for war which can break out quickly. It is

only natural that it would want its stocks and warehouses to be overflowing at all times. On the other side, the civilian elements must take into consideration other factors. It must find a compromise.

More than once in the past we have seen the tendency where the army scorns and opposes independent production (in Israel) of the weapons systems. It wants to purchase it abroad, because it is more certain. There is no doubt that if the matter were left up to the IDF, our defense industries would not have achieved such a high level of production and inventiveness. Anyone involved in acquisition cannot be thinking only of war which could break out tomorrow, but also must think of developing defense industry in Israel, and of diverting resources to development areas. Moreover, although the army appears more efficient, it is more wasteful. By its nature, it tends to be less economical. It is worth comparing, for example, the use of vehicles in the military to such use in the civilian arm of the defense system. In the ministry, only the director general has a vehicle with a driver, according to regulations. In the same area, I found that two officers at the rank of lieutenant(!), in the minister's and his deputy's office, have a car and personal drivers.

Now they explain to us that there is no reason to fear these distortions because the head of the new branch will wear two hats. They say that he will not be only a military man, since he will be subordinate to the director general. But this has almost no significance, and a good example of this is the military person who heads the Budget Branch and also serves as financial advisor to the General Staff. Does he represent the civilian point of view, or first of all the view of the chief of staff and the army? The answer is clear and the civilian hat makes no difference. This would also be the case with the new chief of the Quartermaster Branch being subordinate to the director general. What is decisive is whether this military man will represent alternatives to the director general, who is liable to be a weak person, as has happened in the past.

The choice will be made between alternatives presented by a military man. The one who was before the head of the purchasing Administration will be pushed down the ladder of the hierarchy. His road will be blocked and he will be restrained from disputing the military person who stands above him and between him and the director general. (Not only are people in the ministry dissatisfied with the new proposal. The Air Force is also not too happy with the fact that the supreme responsibility for purchasing planes, engines, and other aviation equipment will be transferred to the Quartermaster Branch, which is essentially a branch of the land forces.)

Reorganization along these lines creates an unhealthy situation, because the consumer, which is the army, will be involved in purchasing, and will be responsible in fact for auditing itself. The system of checks and balances will become unbalanced. By its nature, the army does not permit intrusion into its realm. When there is a problem it generally works through its channels, and applies censorship. This is what happened, for example, when there were large fires at one of the large air bases. And this can happen tomorrow if there are instances of corruption in purchasing. Compared to the civilian system, the military system is closed. And this does not happen only in auditing, but also in respect to civilian industrialists and contractors. It should be

emphasized that civilian supervision is not only in the minister and the cabinet, but also the whole civilian system--beginning with the state comptroller, the Finance Ministry, the Committee on Foreign and Defense Affairs, and the Finance Committee of the Knesset, and ending with the civilian arm of the defense system, from which the minister tends to draw his information, and today the minister is a one time military man--but tomorrow he could be a less expert person.

All of this was certainly known to the Defense Minister. The question is why he insists that more and more burdens be placed on the IDF, and not only in matters of purchasing? We have yet to hear a clear answer from him. In this he has strengthened the claim of his opponents who stubbornly argue that Sharon is only interested in strengthening his control in many spheres, and that the best means of doing this is through the military arm of the defense system. They argue that today there is no reason for taking control of broadcasting stations and government buildings. There are more sophisticated ways of taking over--for example by seizing key economic junctures through the army. They point out that today, the army is the largest purchaser in the country. Purchases this year total 17-18 billion shekels. Whoever controls that tap can influence industry, and exercise pressure as necessary. And clearly it is easier to take control this way when an army man has the right to sign on the dotted line. They claim that by means of the proposed reorganization, the army will get a tool which will enable it to exercise pressure on the Israeli economy.

This is a serious accusation, and is far more serious than the other criticisms. In other areas, Sharon's reorganization will be tested by time. It is contained in documents, according to which there will be a reduction of 12,000 civilian workers in the IDF and Defense Ministry by 1986, or a doubling of exports. But in the matter of concentrating greater power in the hands of the IDF, things are more sensitive and complicated. This is a matter which affects not only the opposition, but members of his own party as well, such as Deputy Prime Minister David Levy or Finance Minister Yoram Aridor. There is no doubt that their eyes will be opened, and they will be more attentive to what is going on in the defense system.

7075

CSO: 4423

ACHIEVEMENTS IN ELECTRONIC WARFARE DISCUSSED

Tel Aviv MA'ARIV in Hebrew 22 Jan 82 p 19

/Article by Avraham Peleg: "Israel's Achievements in the Field of Electronic Warfare"

/Text/ Engineer Ilan Haqlai spends a considerable part of his life in the electronic laboratories of Tadiran, where microwaves are studied. This is an ultra-modern world of tiny components, entanglements of threads, television scopes and different kinds of accessories with which he and his colleagues work in one of the strangest technological fields in the world: EW.

EW is the abbreviation for electronic warfare. No! One will not find in these laboratories any ingredients of warfare as our generation knows it. This warfare is conducted on ether waves with frequencies not audible to the human ear and with such sophisticated equipment that perhaps the term "brain war" is more appropriate for it.

"This is a totally new world of concepts," explains Ilan, who is director of the electronic warfare department in the systems section of Tadiran. "Our dictionary includes a whole series of concepts, such as electronic intelligence. In this field we are developing equipment for the reception of information and disruption of the operation of the element trying to receive electronic information from us."

Technologist "Made in Israel"

Ilan further explains that a vast amount of information "revolves" on ether waves. The task of the technologies that he is developing is to localize the communication systems of the "other side" and to extract information from them. Part of this work is done automatically by instruments, whereas the other part--there is no substitute for the skilled person who alone can perform this task.

Electronic warfare received a great impetus during World War II and the British, who developed radar, excelled in it. The AWACS-type aircraft, explains Ilan, "is an active radar system," that is, it exposes itself in the course of activity. In electronic warfare radiating elements such as the AWACS are detected and their electronic systems are paralyzed.

Therefore, in electronic warfare one acts against communication and radar systems and against fire control and everything is conducted from tightly closed laboratories filled with sophisticated instruments, when the opponents do not see each other at all. The person engaged in electronic warfare can win a big victory by blocking and disrupting enemy networks without moving from his chair...

Ilan is a technologist "made in Israel." He was born in Israel and studied electronic engineering at the Tekhnion. He received the degree of engineer at the age of 21. After his service in the military reserve he worked in EL AL and then in the science-based industries of Kur. He was among the founders of the Mida Company, but about 2 years ago he decided to enter Israel's electronic giant--Tadiran.

In the field of electronic warfare man is in the world described in "Alice in Wonderland." One must run rapidly in order to stay in one place... "This is a dynamic field, which is developing at a vast speed," explains the engineer, "and I must be familiar with everything that is happening with electronic equipment throughout the world. Therefore, I must read a great deal. For example, I devote Fridays, on which we don't work, to reading."

Ilan is the father of four children--a triplet of two girls and a boy, who are almost 10 years old, and the oldest boy, who is 11 years old. "I devote Saturdays to the children and the family in general. Once I had a hobby--I was a radio ham. But I no longer have the time for this. My profession is very demanding..."

This is also a very cruel field professionally. "The moment I finish a development," explains the engineer, "it is already obsolete, but know-how cannot be bought. It must be developed independently. This is an interdisciplinary field, which includes professionals from the fields of computers--software and hardware--and, of course, communication and electronics. The person suitable for this must have a wealth of experience and be a great scholar versed in many technological disciplines. The best in this field come to us from the army and others come from the Tekhnion or other higher educational institutions."

Big Competitive Commercial Market

The term "electronic warfare" should not be misleading: It is also a very competitive commercial field. The international market of electronic warfare equipment has an annual volume of about 3 billion dollars! Electronic warfare equipment is bought and sold on this market. Yes! It is a commodity. Israel also sells certain items. The heads of Tadiran hope to be among the 50 big companies trading in electronic warfare equipment throughout the world within a few years...

The lion's share of Tadiran's production is military. The company's history reveals the reasons for this. The company was established in 1961 as a result of the merger of two small companies--Tadir (which manufactured quartz crystals for communication instruments) and Ran (which manufactured batteries for military instruments and for the private market). The Ministry of Defense was interested in the establishment of a big company for the manufacture of batteries and Mr Elqana Kaspi, the founder of Tadiran, was appointed director-general of the company by David Ben Gurion himself, who was the prime minister at that time.

Tadiran advanced at a relatively big speed and today, undoubtedly, it is Israel's electronic giant. A total of 9,000 people, including about 1,700 academicians, work in it. In 1981 the sales volume reached 340 million dollars. This year the estimated sales volume is 390 million dollars and perhaps it will even reach 400 million dollars. Tadiran has also become an international communication giant. Engineer Yitzhaq Ish-Horovitz, deputy director general for planning and development, notes that his company's military and civilian communication products reach more than 50 countries throughout the world.

"One of the countries in Asia," says Mr Ish-Horovitz, "built all its military communication systems with Tadiran's equipment. We sell communication equipment from the level of a single soldier up to the level of companies, battalions, brigades and divisions to various countries, including Western Europe."

Success of the Lithium Battery

Mr Ish-Horovitz believes that one of Tadiran's secrets of success is its ambition not to be limited territorially. "True," he says, "we learned that there is no export without a local market, where one proves himself. We proved ourselves as a company dealing in research and development of military electronics, primarily communication. There are areas in communication where we are the first in the world."

In 1968 the Ministry of Defense decided that its participation was not needed and it left the partnership--50 percent--in the company. The American GTE Company (General Telephone and Electronic Company--the United States) replaced it. This company has 50 percent of the shares and the Kur Company has the same percentage of the shares.

Mr Yitzhaq Ish-Horovitz--himself an electronic engineer--attributes Tadiran's secret of success to three factors. "We have good products," he says. "We also developed a marketing network on an international level. We developed original and advanced technologies as well. More than any other army in the world the IDF demands a high quality and reliability of products. Tadiran is recognized as an authorized supplier for the army of the United States--one of the few outside that country. We compete with electronic giants throughout the world and succeed in this competition owing to the factors I mentioned and the strategy of penetration into special fields. For example, we do not compete with the Japanese in the manufacture of minibatteries, but we are the first element in the world in the manufacture of bigger lithium batteries. In the 1970's we advanced to the front line of electronic manufacturers in the world and today many of them are afraid of competition with us in certain areas. This constitutes a certain difficulty, because they are also afraid to sell know-how to us. Therefore, we develop know-how ourselves with very big investments, which total 30 million dollars this year. We receive part of this amount from the Office of the Chief Scientist of the Ministry of Commerce and Industry and from the research and development of the Ministry of Defense. Today we employ about 620 people in the area of research and development."

Pilotless Mini-aircraft Is the Latest Hit

Indeed, the massive investments in independent and original development yielded fruit. Today production encompasses all types of military communication--from that of a soldier up to big and complex systems carried on vehicles--and line

equipment--from field telephone sets up to sophisticated equipment of many lines. In addition, the company manufactures listening devices, antennas and remote control systems. In the last few years the ramified activity has also expanded in the direction of flight instruments.

The pilotless miniaircraft, which is remote-controlled from a ground control station or by automatic pilot control, is the latest hit in this area. Engineer Ilan Haqlai--the pilotless miniaircraft is one of his creations--says: "I see in this aircraft more electronics than aircraft. In fact, this is a platform carrying a vast amount of electronics, whose task is to collect information in real time (information transmitted immediately to the control center) and this is the reason why we entered this business..."

Engineer Yigal Levin, director for long-range planning in the company, notes that Tadiran's strategy is to turn more and more to civilian products. Thus, the company began to manufacture such a range of products as the lithium battery, telephone exchanges and so forth. "In this way," says Mr Ish-Horovitz, "we are increasing the sum total of our economic activity."

This activity is carried out at several enterprises in various places in the country. The "Tadex" telephone exchanges are manufactured at an enterprise in Petah Tiqwa. About 500 people participated in the research and development of this instrument. It was clear to the heads of the team that, in order to realize such a serious communication project, they had to use advanced technologies and to apply microcomputer techniques. The fact that in 1975 microcomputer technology was still at its infancy throughout the world and very little was known about this subject in Israel was one of the obstacles to the project's progress.

World of Microcomputers

Therefore, Tadiran invested a great deal of effort in the study of this subject and a special laboratory for software development by the most advanced methods was established. Production engineers, chemists and so forth were needed for the manufacture of electronic circuits. The latest equipment for gold printing of circuits was purchased and dust free halls for their production were built. We toured one of these halls and saw men and women in white uniforms leaning over microscopes, through which they saw the microcomponents they handled with gloved hands. "Tadex" exchanges now operate in dozens of countries throughout the world and this is not the end of the story.

The lithium battery is another "hit." Today an ordinary battery lasts up to $\frac{1}{2}$ year. Using special chemical processes, Tadiran's experts developed a battery operating on the basis of lithium, which lasts up to 10 years and its energy supply is 10 times as high as that of an ordinary battery! Lithium batteries are now causing a revolution in electronics. For example, Tadiran's battery is used in the pacemakers manufactured by the Israeli Mennen Medical. Whereas in the past it was necessary to implant a battery in the chest of a heart patient once in 2 years, today the time span is 10 to 12 years. "This year we will manufacture 2 million lithium batteries for the local and world market," says Mr Yigal Levin.

In today's and, especially, tomorrow's world not only the lithium battery and "Tad-ex" exchanges, but also electronic warfare, electronic intelligence and military communication instruments, are export items. Paradoxically, military products now constitute part of the science-based industries in the world and in Israel.

Thanks to De Gaulle's Embargo

Many electronic enterprises in Israel owe thanks to French president Charles de Gaulle... The embargo that he imposed on the export of military products to Israel following the Six-Day War gave a tremendous push to the local industry. With the encouragement of the Ministry of Defense and with its massive investments a long line of electronic enterprises emerged and they became very successful.

Since the beginning of the Six-Day War Israeli electronics developed at an accelerated pace known to few industries in the world. In 1967 the turnover in electronic enterprises in Israel reached 120 million pounds, in 1968, a total of 195 million pounds, in 1969, a total of 300 million pounds and in 1970 it jumped to 420 million pounds. The export of electronic products rose from 2.6 million dollars in 1967 to 330 million dollars in 1982.

Israeli electronics, which at first was carried on the shoulders of the defense system, developed an impressive range of products, including various forms of radar. In this field Israel reached full independence in weapons and control systems in the early 1970's. Military electronics is partially or decisively applied in Kfir, Westwind, Arava and navigation, warning, control, weapons guidance and air fire control systems in the sky and on the sea. It is applied in Gavriel and Shafrir missiles.

Military electronics was the focus of tremendous efforts on the part of Israeli developers, because of the desire to attain as much as possible independence from the electronic giants throughout the world.

And virtue sprang out of necessity. In the last few years the vast investments in know-how and in the base have spurred the big and sophisticated electronic enterprises connected with military production to change over to civilian consumer goods in order to develop new channels for activity. The tendency toward paving the way for civilian export encompasses even enterprises based massively on military projects, such as the aircraft industry.

This tendency is now characteristic of the Electronic Company of Israel (ECI), one of the pioneers of this industry in Israel, which deals with military and civilian aeronautical and naval electronic equipment. ECI, which deals with military and civilian communication equipment and control systems, is now also developing medical equipment. This tendency is also characteristic of EL-OP (Israel's Company for the Electrooptical Industry). This industry is based on technology in fields combining electronics, optics and physics. Its products include laser, search, tracing and night observation instruments, as well as instruments for space research and a surgical laser. BETA--Engineering and Development, which developed a computerized sewing machine, is also among the industries that began on a "military footing" and changed over to a "civilian footing."

Automatic Irrigation Systems

Such a big company as Motorola also devoted a great deal of effort to a certain defense field. It developed automatic monitoring and control computer systems for irrigation networks in kibbutzim subjected to shelling fire during the war of attrition in the Jordan Valley after the Six-Day War. Motorola now applies the technological achievements in this field in a series of impressive developments, such as "Meterol 2000"--the most advanced automatic irrigation system in the world.

In Israel electronic monitoring and control are applied in many other fields. Such companies as BETA in Be'er Sheva', Sharnoy in Petah Tiqwa, Yizre'el Electronics in Kibbutz Yizre'el and Sitex in Herzliyya, which is a world pioneer in computerized textile printing systems, are active in the field of electronic control.

Our electronic industry still imports most of the components it needs. At the same time, an effort is made to also gain independence in manufacture in the field of microcomponents at such enterprises as Elbit, Intel, Tadiran, AEL, Microcom, Alta, Vishay and so forth.

We do not pretend to cover all the enterprises engaged in various fields of electronics in this article. Suffice it to note that close to 20 companies, including such big companies as Telrad, Alta, Kur systems and so forth, operate in the field of telecommunication--the main field of Tadiran. The total number of electronic enterprises in Israel is now expressed in three figures and this is not the end of the story. In conclusion, it can be stated that electronics was and remains the queen of science-based industries in Israel.

11,439

CS0: 4423/106

BRIEFS

FLIGHTS TO BEIRUT DISCONTINUED--Kuwait, 27 Feb (KUNA)--Kuwait Airways Corporation (KAC) has stopped its flights to Beirut as from Thursday, 25 February until further notice, it was officially announced here Saturday. KAC Board Chairman Ahmed [word indistinct] said that the decision was taken due to certain operational circumstances but did not elaborate. Al-Meshari was replying to queries from various parties on this subject. A KAC plane was hijacked in Beirut International Airport last Wednesday by a Shi'ite group who asked for the release of their spiritual leader Imam Musa al-Sadr who mysteriously disappeared following a trip to Libya in 1978. The Boeing-707 landed in Beirut Airport while on an ordinary flight from Tripoli when it was stormed by 12 heavily armed men who took control of the plane and seized its crew and passengers as hostages. The ordeal was over ten hours later but the attackers were able to escape to the surprise of all observers. [Text] [LD271722 Kuwait KUNA in English 1520 GMT 27 Feb 82]

KUWAIT PORT STATISTICS--Kuwait, 24 Feb--Transit trade tonnage handled by Kuwaiti ports almost doubled in 1981, adding new pressures on facilities already strained as a result of the Iraq-Iran war, according to the annual report of the Kuwait ports authority released today. The volume of transit goods unloaded at the al-Shuwaykh port, the country's key harbor, increased by 99 percent in 1981 over the previous year, from 817,229 tons to 1,629,766 tons, the report said. The sharp jump was due to closure of several gulf ports as a result of the 17-month-old Iran-Iraq war. Affected countries were offsetting their losses in imported goods through transit via Kuwait. The authority also reported a record tonnage and number of ships and containers frequenting Kuwaiti ports in 1981, as well as record revenues. The number of ships reached 2,484, compared to 2,252 the previous year, a rise of about ten per cent. Total tonnage was put at 6.6 million tons, an increase of 24 per cent rise in the number of containers unloading goods at Kuwaiti harbors, from 86,178 to 110,358 containers, the report said. [Text] [GF261104 Kuwait ARAB TIMES in English 25 Feb 82 p 1]

CSO: 4404/353

FINANCE MINISTER PLAYS DOWN ROLE OF EQUITIES IN FOREIGN INVESTMENT

Paris AN-NAHAR ARAB REPORT & MEMO in English No 9, 1 Mar 82 pp 6-7

[Text]

Saudi Arabia does not intend "for the near future" to enter Western equity markets in a big way, the Kingdom's Finance Minister Sheikh Mohammed Aba al-Kha'il declared in Dubai last week. Leading a panel discussion at the start of a two-day meeting of some 300 Gulf bankers, the Saudi Arabian minister said the Saudi Arabian Monetary Agency (SAMA) was still maintaining its efforts to diversify its portfolio of foreign investments and that equities played a role in diversification. But he added that "equities take very little part of investments for SAMA" We still maintain very low equity investment in any stock and we will continue this sort of strategy."

Sheikh Mohammed explained that SAMA's investment policy differed from that of other Gulf financial institutions. One reason, he said, was that "the local absorptive capacity of the Saudi Arabian economy is increasing rapidly." Another reason which he did not mention is Saudi Arabia's policy of avoiding markets in which any movement of the large sums of money in which SAMA deals would have an undue impact on price levels.

SAMA's Deputy Governor for Foreign Investments Ahmed Abdel Latif told the panel that the agency's equity investments were constrained by conservative guidelines. "We have a SAMA index on performance," he said, "and on that basis we hope to be able to generate a measure of safety even in our equity component of the portfolio.

CSO: 4400/157

BRIEFS

BRITISH FIRM AWARDED \$100 MILLION CONTRACT--The Arabian American Oil Company (Aramco) has awarded a contract that may be worth up to \$100 million to the British company Davy McKee which is part of the London-based Davy Corporation. Under the terms of the agreement, Davy McKee is to supply project management services for the expansion of on and offshore oil production at Zuluf Marjan on the northeast Gulf coast of Saudi Arabia. Davy McKee will thus act for Aramco and acquire influence on the choice of contractors. It will supervise their work, both the manufacturing outside Saudi Arabia and the installation of equipment. The company will be paid according to a fee formula taking into account the type of work involved and the number of people working on the project which could be about 500. Davy beat off competition from the US companies Bechtel, Fluor, Kellogg, Lummus, Parsons and Foster Wheeler to win the first management contract which Aramco has awarded to a firm from outside the US. [Text] [Paris AN-NAHAR ARAB REPORT & MEMO in English No 10, 8 Mar 82 p 12]

WEST GERMAN FIRM GETS CONSTRUCTION CONTRACT--Saudi Arabia has chosen the West German group Philipp Holzmann to carry out construction orders valued at DM 2 billion (\$840 million). The contract provides for the building of a large number of communications centres at over 20 different sites. The military order is one of the biggest Holzmann has won in the Middle East and more than doubles its current stock of orders from Saudi Arabia. Holzmann was already dependent on foreign contracts for 81 percent of its business. Of its total of DM 9.78 billion in orders at the end of 1981, Saudi Arabia accounted for DM 1.8 billion, Libya for DM 500 to 600 million, Nigeria for DM 400 million, and Iraq for DM 200 to 300 million. [Text] [Paris AN-NAHAR ARAB REPORT & MEMO in English No 10, 8 Mar 82 p 7]

TUNISIA GETS \$102 MILLION--The Saudi Fund for Development last week granted Tunisia a loan of \$102.63 million to help Tunisia develop irrigation, fisheries and railway projects, OPECNA reported from Riyadh. The Tunisian projects all figure in the country's current five-year development plan. The loan agreement was signed in Riyadh by Saudi Arabia's Finance Minister Sheikh Mohammed Aba al-Khail, who is Chairman of the Saudi fund, and Mansour Moalla, Tunisia's Finance Minister. Mr Moalla described cooperation between Saudi Arabia and Tunisia as "a model to be followed by other states in all spheres," the OPEC news agency reported. [Text] [Paris AN-NAHAR ARAB REPORT & MEMO in English No 10, 8 Mar 82 p 6]

JAPANESE FIRM GETS ARAMCO ORDER--Saudi Arabia's Arabian American Oil Company (ARAMCO) has placed an order with Japan's Nippon Kokan K.K. for a 239 million dollar gas plant, it was announced in Tokyo last week. A Kokan spokesman said that the plant, to be constructed by the end of January 1985 in the Tanjib region, 200 kms north of Jubail, will process daily 470,000 barrels of crude oil from the off-shore Marjen oilfield. [Text] [Beirut THE ARAB WORLD WEEKLY in English No 658, 6 Mar 82 p 12]

SOMALIA TO GET FREE CRUDE--Saudi Arabia will send Somalia 360,000 tonnes of crude oil free of charge under an agreement signed in Riyadh, the official Saudi press agency has said. The Saudi finance ministry paid \$125m to the Saudi Arabian Monetary Agency (central bank) for the oil, the report said. Acting Saudi Oil Minister Alawi Darwish Kayal was quoted as saying that the transaction was a gesture of solidarity with Somalia. In another overt goodwill gesture, the kingdom is sending petroleum products to Sudan to help the country meet its requirements for the next three months. [Text] [London 8 DAYS in English No 9, 6 Mar 82 p 57]

CSO: 4400/168

ZAYN-AL-'ABIDIN REJECTS COMPROMISE WITH NUMAYRI

London AL-DUSTUR in Arabic No 223, 1 Mar 82 p 11

[Text] In an interview granted by Mr Ahmad Zayn-al-'Abidin, secretary of the political committee of the Sudanese opposition Democratic Unionist Party (DUP), to AL-DUSTUR he declared that the party and the Sudanese National Front would persist in resisting and opposing Ja'far Numayri's regime.

Mr Zayn-al-'Abidin told AL-DUSTUR in an exclusive statement that the policy of the party (DUP) and the United National Front since the days of the martyr al-Sharif Husayn al-Hindi is based on and will continue to be based on the principle of opposition to the present regime as well as resistance and opposition to it with all available means until it is overthrown. "We reject any compromise with the regime and with Numayri after time has proven that he does not respect any agreement or covenant."

"In our opinion," continues Mr Zayn-al-'Abidin, "Ja'far Numayri has finally relinquished, government and power, and so it is now up to the national opposition forces to agree on the solution to the problem of government in the Sudan."

The secretary of the political committee also said, "We confirm once again what the martyr al-Sarif Husayn al-Hindi has said, and that is that we are the only ones capable of reconstructing the Sudan after it was ruined."

He added, "We, in the opposition, welcome every party or group that opposes and fights this regime. We support any grouping that stands against it with firmness, as we appeal to the masses to oppose it and to bring it down."

CSO: 4504/234

BRIEFS

SUDAN, PRC COOPERATION--Khartoum, 9 March, (SUNA)--Cooperation, Commerce and Supply Minister Faroug Ibrahim El Magboul and the Ambassador of People's China to Khartoum reviewed here yesterday bilateral economic and trade relations. Issues related to implementation of the existing trade protocol between the two countries were also tackled during the meeting. The meeting also reviewed means of boosting the two countries cooperation in the various fields as well as the activation of imports and exports movement between Sudan and People's China, particularly Sudanese Cotton exports to China. [Text] [Khartoum SUNA in English No 4509, 9 Mar 82 p 3]

EXAMS SCHEDULED--Khartoum, 9 March, (SUNA)--Examinations of all students will begin 23 March and will cover subjects taught up to 6 January, said the Vice-Chancellor of the University of Cairo, Khartoum Branch, Abdel Wadood Abdel Rahman Yahya. Finalists will be examined in the lessons taught before 6 March, he said. The Vice-Chancellor said students living in remote places would be allowed to sit for subsidiary-exams. He attributed the University's keenness to hold the examinations at this date to the fact that 80% of the staff were working on secondment from other universities and that they should report to their original universities on 1 May. He said that 40 teachers come annually from Cairo University to supervise the examinations and that they cannot leave Cairo after 20 April. Yahya said the University's second term was cut short because of the student riots. He warned that if the students, as a body refuse to attend the examinations, the University will freeze the academic year and he added that there were enough reference books for students at the University Library. [Text] [Khartoum SUNA in English No 4509, 9 Mar 82 pp 4-5]

JAPANESE AID OFFER--Khartoum, 8 March, (SUNA)--Japan will grant Sudan fertilizers, pesticides and agricultural equipment worth four million dollars to upgrade food production. An agreement in this connection was signed here yesterday between the two countries in the context of the mutual aid agreement signed in February. The value of aid agreements offered by the Japanese government in the past four years has reached \$13 million. [Text] [Khartoum SUNA in English No 4658, 8 Mar 82 p 1]

ELECTION COMMITTEES--Juba, 6 March, (SUNA)--President of the Transitional High Executive Council for the Southern Region Major-General Gasmalla Abdalla Rassas yesterday named the following as chairmen of the committees for the election of the Regional People's Assembly: (1) Jastin Keri, Bahr El Ghazal Province;

(2) Anthony Thick, Jonglei Province; (3) Anthony Eric, Upper Nile Province; (4) Zakaria Aucin, Buhayrat Province; (5) Paul Madut, Eastern Equatoria Province; (6) Henry Gada, Western Equatoria Province. [Text] [Khartoum SUNA in English No 4056, 6 Mar 82 p 2]

NEW GAS STATIONS OPENED--Juba, 8 March, (SUNA)--President of the Transitional High Executive Council of the Southern Region Gasmalla Abdalla Rassas yesterday opened here the new gas station. Council Vice-President and Regional Cooperation, Commerce and Supply Minister Andrew Makur said the station's pumping capacity was six thousand gallons per hour and that similar stations were being built in Torit and Yei, Eastern Equatoria Province. He said that gas stations in Yambio, Maridi and Mandari, Western Equatoria Province, were being rejuvenated. Makur further announced that work was underway on Mangula and Bur stations and that Rumbek station would be completed shortly. The Petroleum Administration has tailored out a programme for establishing two petrol depots in Bur and Rumbek each with a capacity of 200 tonnes, he said. The project's second phase will cover Bahr El Ghazal, Upper Nile Province and some other important towns of this Region, he said and expressed the hope that the project could be finished before the end of this year. Commerce Director Fai Gash said the stations would help combat blackmarketing and called upon the Central Government to provide the Regional Government with necessary foreign exchange for purchasing petroleum. He said his Ministry would import petroleum from Eastern African countries and announced that a plan had been laid down for establishing a petroleum Public Corporation in the Region to be responsible for distributing oil products. [Text] [Khartoum SUNA in English No 4058, 8 Mar 82 pp 6-7]

CSO: 4500/121

UNIFICATION OF CUSTOMS REGULATIONS PLANNED

Dubayy KHALEEF TIMES in English 25 Feb 82 p 1

[Text]

THE draft law on the establishment of the Higher Council for Customs (HCC) was approved yesterday, after a few minor amendments, at a meeting of ports and customs directors chaired by Shaikh Hamdan bin Rashid, Minister of Finance and Industry and acting Minister of Economy and Commerce.

Shaikh Hamdan said after the meeting, that customs issues raised in resolutions of the financial, economic and trade cooperation committee of the AGCC were also discussed.

Meanwhile, Mr Abdul Rahman Saeed Al Ghanim, under-secretary of the Ministry of Economics and Trade, said according to the draft law presented by the ministry, the Higher Council for Customs (HCC) would take all necessary steps to unify customs laws in the country.

He said the ministry specified the tasks of the council in coordinating between the local customs directorates, particularly with reference to customs tariffs. The council would also iron out difficulties, suggest solu-

tions to problems, and help maintain better cooperation between customs directorates, he said.

He said it would also suggest ways to combat customs fraud and smuggling.

The tasks of the council would also include supervision of the implementation of preference tariffs, which were regulated by international customs agreements of which the UAE was a signatory, and coordinate service charges on cargo storage and inspection, the under-secretary said.

The council would follow up the work of scientific bodies and international and regional organisations specialising in the customs field, such as the customs cooperation council. It would also represent the UAE at Arab, regional and international customs conferences.

The under-secretary said a report would be submitted to the cabinet on the results of the meeting, during which it was agreed to form a unified delegation of customs directors to represent the country at the meeting of ports and customs directors to be held in Riyadh on March 22.-

CSO: 4400/161

FLOATING DESALINATION PLANT TO ARRIVE

Dubayy KHALEEJ TIMES in English 2 Mar 82 p 2

[Article by Dara Kadva]

[Text]

A floating desalination plant—the first in the Middle East—is scheduled to arrive in Abu Dhabi waters in April from West Germany.

The plant, installed on a barge named 'Al Rumaith', is receiving final touches at the Buckau Walther AG shipyard of Bremen. It has a daily production capacity of half a million gallons of water, enough to meet the needs of about 10,000 people in remote areas and islands of the emirate.

"The plant is the result of the personal concern shown by His Highness President Shaikh Zayed bin Sultan Al Nahyan for his people in remote areas," Mr Said Atiq Salim Al Khumairi, under-secretary of the Abu Dhabi Water and Electricity Department, said yesterday. Since the oil companies and the oil-producing areas had their own water purification plants, the barge would be assigned to meet the needs of the people in the non-oil areas. However, he said, the plant would be there to meet any urgent situation in any area.

The desalination plants under the department, Mr Said Atiq said, were producing, on the average, 37 million gallons daily (mgd), in 1981. He expected the production to average between 40 to 45 mgd this year. "And since we have water reserves from last year, we expect there will be no water problem this year," he said.

"By the end of 1983, the Umm Al Nar west water plant will be commissioned, which will add 20 mgd to the water production, and another 15 mgd will be added in early 1984 when

Umm Al Nar east plant will be commissioned," Mr Said Atiq said. "The water situation for the emirate is comfortable for the next five years."

As regards electricity, he said the peak-time consumption in summer last year was 570 megawatts daily and he expected it to climb to 660 megawatts during the coming summer.

He said two gas turbines of 60 megawatts capacity each would be commissioned in 1983, and two bigger generators (of 75 megawatts capacity each) would be commissioned by the end of 1983.

The capital, he said, would start receiving power from the Umm Al Nar station when "work on the construction of the cable distribution network and a number of sub-stations is completed later this year at a cost of about 900 million dirhams."

Remote areas and islands, he said, were also witnessing an increased demand for power, and the department was building two units each at Madina Zayed and Al Liwa and one each at Ghayati and Sweihan. These were expected to be completed by the end of the current year, Mr Said Atiq said.

He appealed to the consumers to use water and power, frugally, and make all efforts to avoid waste. Conservation should be the motto even though the supply position was assuring for the foreseeable future, Mr Said Atiq said.

In reply to another question, he denied that his department had any plan to increase water and power charges, as reported in a section of the Press.

UNITED ARAB EMIRATES

BRIEFS

PETROLEUM COMPLEX OPENS--The president, His Highness Shaykh Zayid Ibn Sultan al Nuhayyan, inaugurated a multi-million-dollar petroleum industrial complex in al-Ruways in a colourful ceremony yesterday. The four-billion-dollar complex, which comprises a refinery, a gas liquefaction plant, a fertiliser plant still under construction, and a housing complex, is to undergo further expansion soon. [Excerpt] [GF121218 Dubayy KHALEEJ TIMES in English 11 Mar 82 p 1]

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